# Century Paper & Board Mills Limited

## Annual Report 2013

Clean - Green - Sustainable

"Safe and Secure working environment is the keystone at Century and implies on all tiers of the organization. At Century; everyone endeavors to add value by trying to achieve improvement in processes and systems without compromising on safety standards."

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# Environment policy

At Century, we make our best  possible efforts to:

- Ensure environment friendly operations, products and services.
- Mitigate environmental impacts through effective implementation of ISO 14001 in order to achieving conformance to applicable laws and regulations.
- Promote environmental awareness to all employees and the community.
- Establish objectives and targets for continual improvement in resource conservation by waste control and safe operating practices.


# Vision

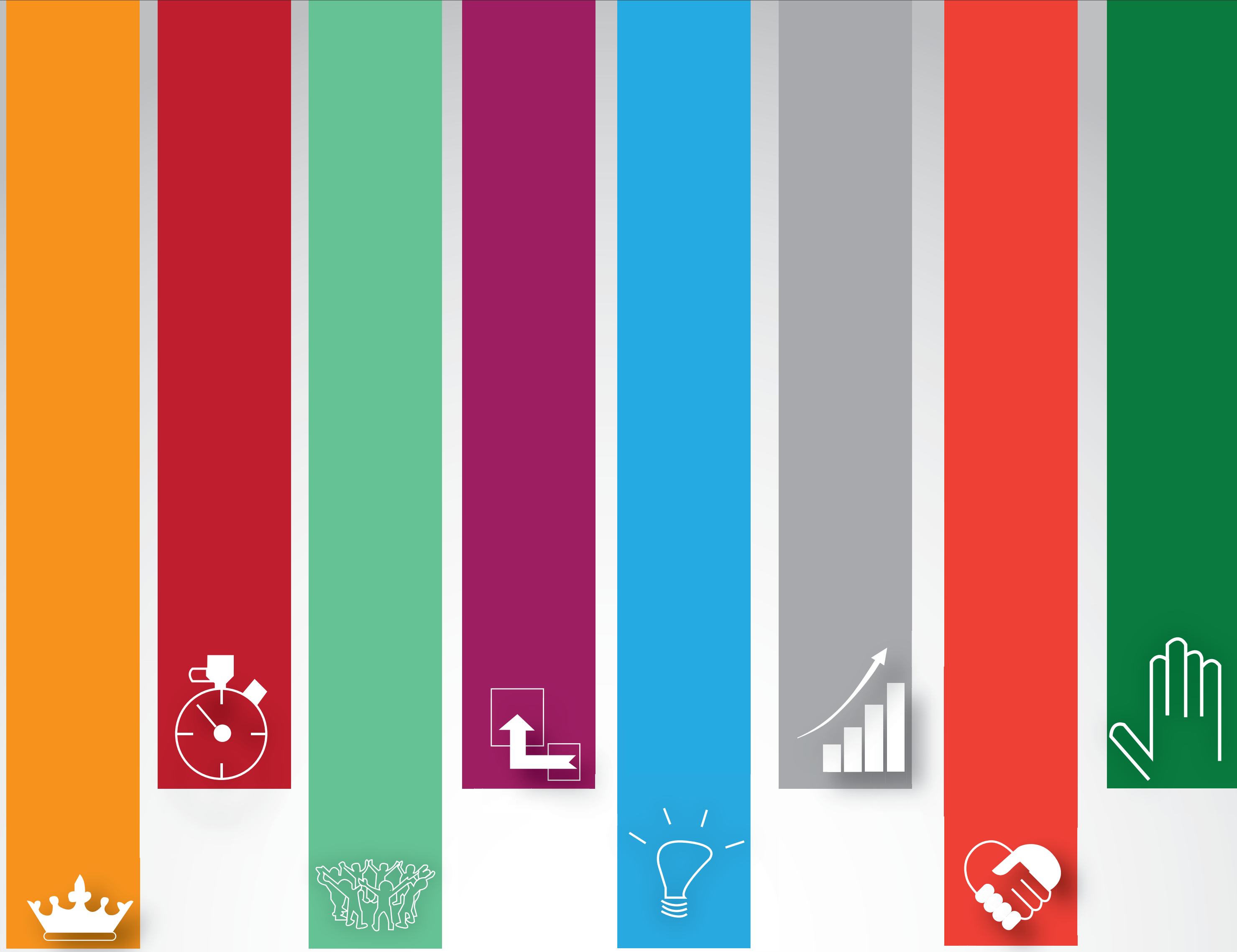
To be the market leader and an enduring force in the paper, board and packaging industry, positively influencing and providing value to our stakeholders, society and our nation.

# Mission

To strive incessantly for excellence and sustain our position as a preferred supplier of quality paper, board and packaging material within a team environment and with a customer focussed strategy.

# Core Values


WE ARE ETHICAL IN ALL OUR ACTIONS
WE STRIVE FOR EXCELLENCE
WE DELIVER CUSTOMER SATISFACTION
Humility & Compassion
Integrity
Change
Innovation
Continuous Improvement Mindset
Teamwork
Sense Of Urgency
Customer Centric
Our Values



**Customer Centric**
Deliver unmatched customer centric experience.

**Sense of Urgency**
Operate with a sense of urgency in everything we do.

**Teamwork**
Use teamwork to multiply our collective energies.

**Change**
See change as an opportunity.

**Innovation**
Seek room for innovation in all our ideas, practices, products & services.

**Continuous Improvement Mindset**
Facilitate process-centric thinking to continually improve, correct, and overcome difficulties

**Humility & Compassion**
Reach out to others through humility & compassion.

**Integrity**
Let integrity guide all our decisions.

# Highlights of 2013

Net sales
Up by
**10%**

Gross profit
Up by
**20%**

EBITDA
Up by
**21%**

Profit after tax
Up by
**80%**

Finance cost
Down by
**24%**

Equity
Up by
**0.41%**

Earnings per share
Up by
Rs. **4.69**

# Year at a Glance

## Key Figures

| Key Figures | 2013 | 2012 |
|---|---|---|
| | (Rupees in Million) | |
| Gross sales | **16,513** | 14,980 |
| Net sales | **14,236** | 12,923 |
| Gross Profit | **2,546** | 2,113 |
| EBITDA | **3,007** | 2,479 |
| Profit pre tax | **1,406** | 790 |
| Profit post tax | **928** | 515 |
| Share capital | | |
| Ordinary shares | **1,060** | 707 |
| Preference shares | **2,103** | 3,004 |
| Shareholders' equity | **5,838** | 5,814 |
| Long-term financing | **4,151** | 3,845 |
| Capital employed | **10,813** | 10,769 |
| Total assets | **13,275** | 13,462 |
| Capital expenditure | **311** | 803 |

## Key Ratios

| Key Ratios | 2013 | 2012 |
|---|---|---|
| Earnings per share - Rupees | **6.09** | 1.40 |
| Breakup value per share - Rupees | **35.23** | 39.75 |
| Price earning ratio | **4.44 : 1** | 13.54:1 |
| Debt equity ratio | **43 : 57** | 36:64 |
| Leverage ratio | **1.27 : 1** | 0.98:1 |
| Current ratio | **1.61 : 1** | 1.09 : 1 |
| Quick ratio | **0.46 : 1** | 0.34 : 1 |
| Asset coverage ratio | **3.00 : 1** | 2.80 : 1 |
| Interest coverage ratio | **3.03 : 1** | 1.87 : 1 |
| Debt servicing coverage ratio | **1.79 : 1** | 1.41 : 1 |
| Debtors days | **25** | 22 |
| Inventory days | **58** | 73 |

# Quality policy

- Century excels in manufacturing of quality Paper, Paperboard and Corrugated Boxes for packaging.
- Century, a customer focussed Company, is always ready to accept challenges for achieving its mission.
- Century's quality objectives are designed for enhancing customer satisfaction and operational efficiencies.
- Century is committed to building Safe, Healthy and Environment friendly atmosphere.
- Century, with its professional and dedicated team, ensures continual improvement in quality and productivity through effective implementation of Quality Management System.
- Century values the social and economic well being of its partners and strives for a harmonious environment conducive to team performance.


# Corporate Information

**Board of Directors**

Iqbal Ali Lakhani (Chairman)
Zulfiqar Ali Lakhani
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay
Shahid Ahmed Khan
Kemal Shoaib
Muhammad Imran Rafiq-Nominee Director (NIT)
Aftab Ahmad (Chief Executive Officer)

**Advisor**

Sultan Ali Lakhani

**Audit Committee**

Kemal Shoaib (Chairman)
Zulfiqar Ali Lakhani (Member)
Amin Mohammed Lakhani (Member)
Tasleemuddin Ahmed Batlay (Member)

**Human Resource and Remuneration Committee**

Zulfiqar Ali Lakhani (Chairman)
Aftab Ahmad (Member)
Tasleemuddin Ahmed Batlay (Member)

**Chief Financial Officer**

Syed Ahmad Ashraf
Email: ahmad-ashraf@centurypaper.com.pk

**Company Secretary**

Mansoor Ahmed
Email: mansoor-ahmed@centurypaper.com.pk

**Head Office and Registered Office**

Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi - 74200, Pakistan.
Phone: (021) 35698000
Fax: (021) 35681163, 35683410
Email: info@centurypaper.com.pk
Website: www.centurypaper.com.pk

**Lahore Office**

14-Ali Block, New Garden Town,
Lahore - 54600, Pakistan.
Phone: (042) 35886801-4
Fax: (042) 35830338

**Mills**

62 KM, Lahore-Multan Highway, N-5,
District Kasur, Pakistan.
Phone: (049) 4511464-5, 4510061-2
Fax: (049) 4510063

**External Auditors**

BDO Ebrahim & Co.
Chartered Accountants
Email: info@bdoebrahim.com.pk

**Shares Registrar**

FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery
Block-6, P.E.C.H.S. Shahra-e-Faisal,
Karachi.
Phone: (021) 34380101-2
Fax: (021) 34380106
Email: pervez.usman@famco.com.pk
Website: www.famco.com.pk

**Bankers**

Allied Bank Limited
Al Barka Bank (Pakistan) Limited
Bank Al-Falah Limited
Barclays Bank PLC
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited

# Corporate Calendar

| Meetings | Date |
|---|---|
| Audit Committee meeting to consider accounts of the Company for the year ended June 30, 2012 | **August 10,  2012** |
| Board of Directors' meetings to consider accounts of the Company for the year ended June 30, 2012 | **August 16, 2012** |
| Board of Directors' meetings to consider issuance of Bonus shares | **October 03, 2012** |
| Annual General meeting of Shareholders to consider accounts of the Company for the year ended June 30, 2012 | **October 04, 2012** |
| Audit Committee meeting to consider accounts of the Company for the quarter ended September 30, 2012 | **October 15, 2012** |
| Board of Directors' meeting to consider accounts of the Company for the quarter ended September 30, 2012 | **October 16, 2012** |
| Board of Directors' meeting to consider changes in rights, privileges and terms and conditions of preference shares and changes in Memorandum and Articles of Association | **December 28, 2012** |
| Class Meeting of Preference Shareholders to consider changes in rights, privileges, terms and conditions of preference shares | **February 04, 2013** |
| Extraordinary General Meeting of Shareholders to consider changes in rights, privileges, terms and conditions of preference shares and changes in Memorandum and Articles of Association | **February 11, 2013** |
| Audit Committee meeting to consider accounts of the Company for the half year ended December 31, 2012 | **February 12, 2013** |
| Board of Directors' meeting to consider accounts of the Company for the half year ended December 31, 2012 | **February 22 , 2013** |
| Audit Committee meeting to consider accounts of the Company for the nine months ended March 31, 2013 | **April 24, 2013** |
| Board of Directors' meeting to consider accounts of the Company for the nine months ended March 31, 2013 | **April 26, 2013** |
| Board of Directors' meeting to allot right shares | **June 13, 2013** |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of CENTURY PAPER & BOARD MILLS LIMITED will be held on Wednesday, September 25, 2013 at 11.00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2013 with the Directors' and Auditors' reports thereon.

2. To consider final approval of 20% Bonus shares (interim) declared by the Board of Directors in their meeting held on October 03, 2012 and issued to the shareholders on November 28, 2012.

3. To appoint Auditors and fix their remuneration.

By Order of the Board of Directors

**(MANSOOR AHMED)**
Company Secretary

Dated : August 20, 2013

**Notes:**

1. The share transfer books of the Company will remain closed from September 19, 2013 to September 25, 2013 (both days inclusive). Transfers received by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S. Shahra-e-Faisal, Karachi upto September 18, 2013 will be considered in time for the purpose of attendance of Annual General Meeting.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not later than forty-eight hours before the time of the meeting.

5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) are requested to send the same to our Shares Registrar at the earliest.

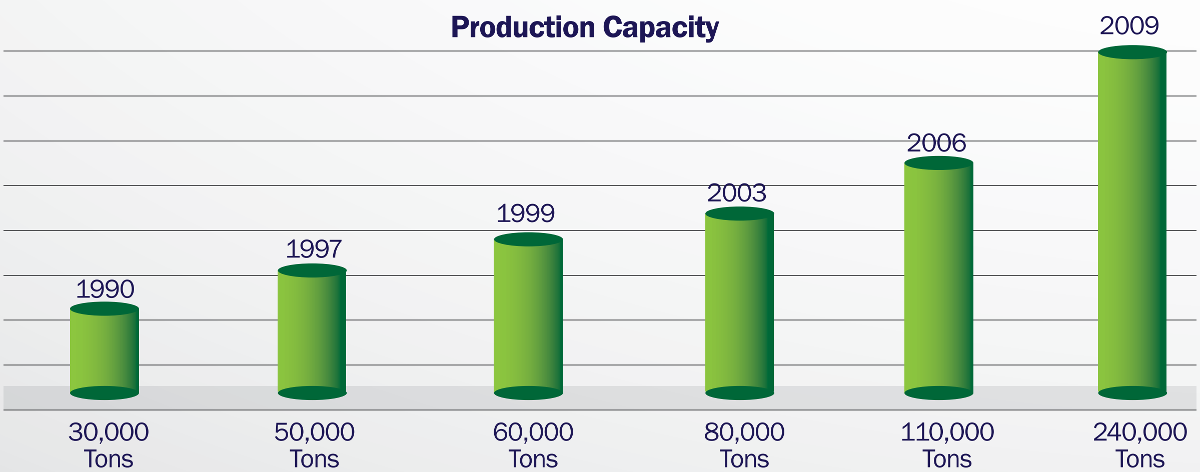
7. Form of proxy is enclosed herewith.

# Milestones

## Production Capacity

| | |
|---|---|
| 1990 | Commenced commercial production with three machines having capacity of 30,000 Metric Tons per annum. |
| 1996 | Started 12.3 MW Captive Power Generation Plant as Century Power Generation Limited (a former subsidiary Company). |
| 1997 | Enhanced production capacity to 50,000 Metric Tons through addition of a three layers Board Machine (PM-4). |
| | Added an Offline Coating Machine (CM-2). |
| 1999 | Enhanced production capacity to 60,000 Metric Tons after re-engineering of production facilities. |
| 2002 | Installed Dissolved Air Floatation Plant (DAF), the first of its kind in Pakistan for treatment of effluent in Paper and Board Sector. |
| 2003 | Enhanced production capacity to 80,000 Metric Tons per annum after installation of twin layer Board Machine (PM-5). |
| | Added a Corrugated Boxes Manufacturing Plant with capacity of 22,000 Metric Tons per annum. |
| 2005 | Converted Power Generators to dual fired configuration i.e. oil and natural gas. |
| | Enhanced un-bleached and bleached pulp capacities. |
| | Merged Century Power Generation Limited (a former subsidiary Company) with the Company. |
| 2006 | Enhanced production capacity to 110,000 Metric Tons per annum after installation of Paper Machine (PM-6). |
| | Added Online Coating facility to three layers Board Machine (PM-4). |
| 2008 | Enhanced Captive Power Generation capacity to 30 MW as new 18 MW Cogeneration Plant started commercial operations. |
| 2009 | Enhanced production capacity to 240,000 Metric Tons per annum as Coated Board Duplex Plant (PM-7) started its commercial operations. |
| 2010 | Added a new Corrugator with capacity of 24,000 Metric Tons per annum. |
| 2011 | Enhanced Box Making capacity to 30,000 Metric Tons per annum after a New Box Machine is added with capacity of 8,000 Metric Tons per annum. |
| 2012 | Installed new Coal/Biomass Fired Boiler with capacity of 30 ton per hour of steam. |

**Production Capacity**



# Sales Revenue (Gross)

1996
**Rupees One Billion**

2000
**Rupees Two Billion**

2004
**Rupees Three Billion**

2007
**Rupees Four Billion**

2008
**Rupees Five Billion**

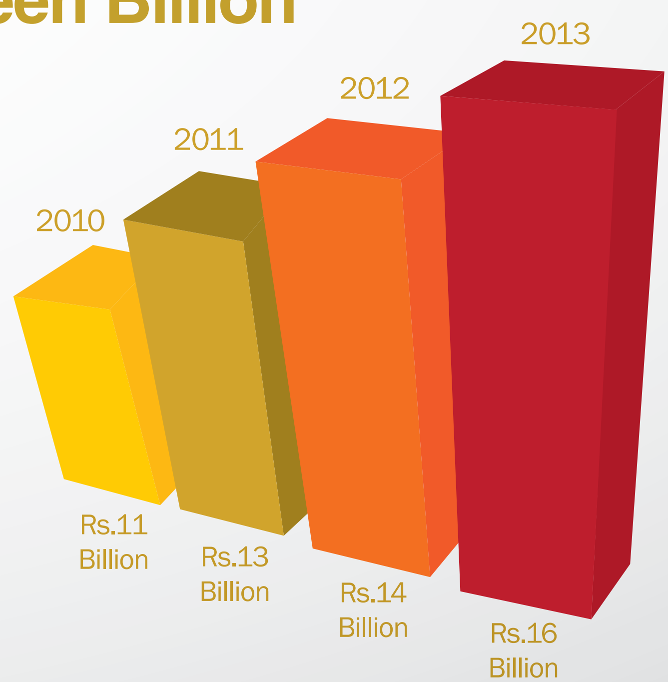
2009
**Rupees Eight Billion**

2010
**Rupees Eleven Billion**

2011
**Rupees Thirteen Billion**

2012
**Rupees Fourteen Billion**

2013
**Rupees Sixteen Billion**



# Safety policy

At Century, we are committed to:

- Improve Occupational Health and Safety (OHS) performance continuously in all areas of operations.
- Implement necessary controls and measures for mitigation of accidents and associated risk by setting objectives and following applicable legal and other requirements.
- Promote OHS practices through training of employees for healthy and safe work environment.
- Communicate Safety Policy to all stakeholders and review it periodically for ensuring adequacy and compliance with OHSAS 18001 standards.


# Certifications and Awards

| | |
|---|---|
| 1998 | Awarded ISO - 9002 - QMS certification. |
| 2002 | Awarded "Best Corporate Award" on Annual Report for the year 2000 and 2001 in a competition jointly organized by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). |
| 2003 | Awarded "Best Corporate Award" on Annual Report for the year 2002. |
| 2004 | Recognized by Karachi Stock Exchange (KSE) as one of the Top 25 Companies for the years 2002 and 2003. |
| 2006 | Recognized by Karachi Stock Exchange (KSE) as one of the Top 25 Companies for the year 2004. |
| 2007 | Awarded "Best Corporate Award" on Annual Report for the year 2005. |
| 2008 | Awarded "Best Corporate Award" on Annual Report for the year 2007.<br>Awarded Best Environmental Reporter in ACCA-WWF Pakistan Environmental Reporting Awards 2007 in the Local Listed Company Category. |
| 2011 | Awarded the certification on "Integrated Management System (IMS)" which consists of:<br>• Quality Management System (QMS) ISO 9001:2008;<br>• Environmental Management System (EMS) ISO 14001:2004 and<br>• Occupational Health and Safety Assesment series (OHSAS) 18001:2007. |
| 2012 | Awarded "Best Corporate Award" on Annual Report for the year 2010. |

# Code of Ethics

Our core business is to manufacture paper, paperboard and packaging products to provide local businesses and individuals quality products of international standard. We are very strong believer of the fact that Ethics and Good Practices play a vital role in advancement and betterment of the Company. To support our belief, we endeavor our best to follow these ethical and good practices.

## Corporate Governance

We as a responsible corporate citizen strongly adhere to Corporate Governance principles and comply with regulatory obligations enforced by regulatory agencies for improving corporate performance. We believe in uprightness of performance and expect it to be a fundamental responsibility of our employees to act in the Company's best interest while holding confidential information. We expect our employees to neither solicit internal information from others nor disclose Company's figures, data or any material information to any unauthorized persons/body.

## Human Resource Development

We believe in individual respect and growth. Our employment and HR policies develop individuals without race, religion, gender or any other discriminative factors. We provide equal opportunities with a team based management style employing incessant training and development programs for employees. These continuous improvement policies enhance efficiencies and knowledge and create a constructive and affirmative environment.

## Transparent Financial Policies

We develop fair and transparent financial policies for conducting business. We ensure transparency and integrity and follow the principles of accounting and finance as approved by regulations and contemporary accounting codes. Any unsupportive or false entry, infringement of accounts for individual or company gain is strongly incoherent with our business codes and ethics.

## Marketing and Industry Practices

We believe in free and fair business practices and open competitive markets. Developing any association within the segment, industry or with competitors to distort the pricing and availability is contradictory to our business code of conduct. Any anti-trust activity such as price fixing, monopolization or forming cartel of suppliers is prohibited. Our marketing policies are customer focussed, placing high values in satisfying their requirements with emphasis on quality, service and product development. As a long term marketing strategy we vision to diversify and add value to our products while maintaining close liaisons with markets, customers and their needs.

## Business Risk Management

Our risk management policies are geared to enhance shareholders worth, improve credit worthiness and minimize credit risk while diversifying income, supplier and customer bases and maintaining relationships with financial institutions.

## Social and Community Commitments

We believe in community development without political affiliations with any persons or group of persons working for gains. We contribute our resources for better environment with an unprejudiced approach. Our Safety, Health and Environment (SHE) policies are geared towards unbiased employees' betterment. Our positive contribution towards Community Related Services especially in health and education adds to economic development.

## Environmental Management System - EMS

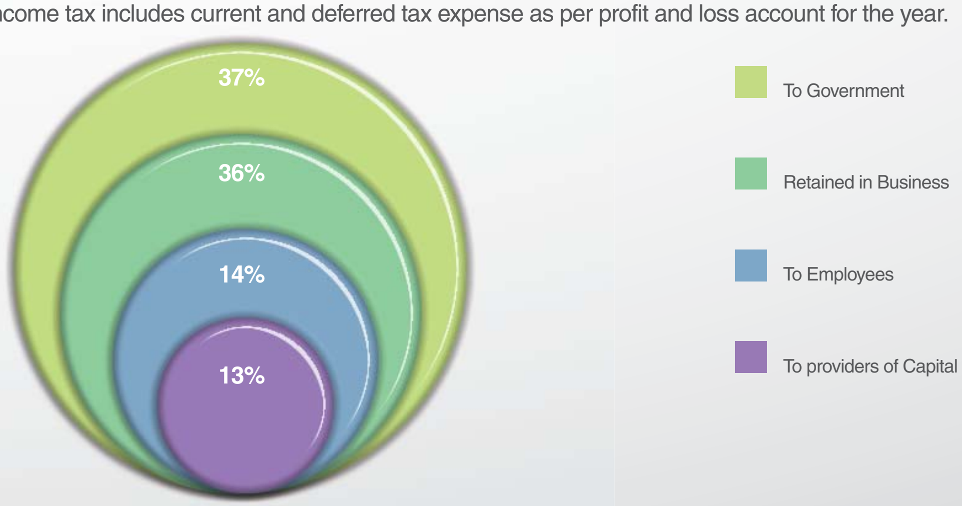
We invest in environmental projects with environment friendly policies to improve Health and Safety standards of employees, communities and surroundings. Our EMS continuously improves in light of advancement in technology and new understandings in Safety, Health and Environmental science. We are driving towards zero waste generation at the source and materials will be reused and recycled to minimize the need for treatment or disposal and to conserve resources and environment. We are working for the conservation of natural resources, energy and biodiversity by continuously improving our processes, practices and products.

# Statement of Value Added

for the year ended June 30, 2013

| | 2013 | %age | 2012 | %age |
|---|---|---|---|---|
| | | (Rupees in thousands) | | |
| **Wealth Generated** | | | | |
| Turnover (including sales tax) | **16,512,551** | | 14,980,408 | |
| Less: Purchased material and services (including sales tax) | **11,428,886** | | 11,292,601 | |
| Value Added | **5,083,665** | | 3,687,807 | |
| Other Income | **90,752** | | 89,931 | |
| **Total** | **5,174,417** | **100** | **3,777,738** | **100** |
| **Wealth Distributed** | | | | |
| To Employees<br>Salaries, benefits and related costs | **714,346** | 14 | 629,734 | 17 |
| To Government<br>Income Tax, Sales Tax, Import Duty and Workers' Welfare Fund (Note) | **1,931,254** | 37 | 943,756 | 25 |
| To providers of Capital<br>Finance cost on borrowed funds | **692,907** | 13 | 910,967 | 24 |
| Retained in Business<br>Depreciation, amortisation and retained profit | **1,835,910** | 36 | 1,293,281 | 34 |
| **Total** | **5,174,417** | **100** | **3,777,738** | **100** |

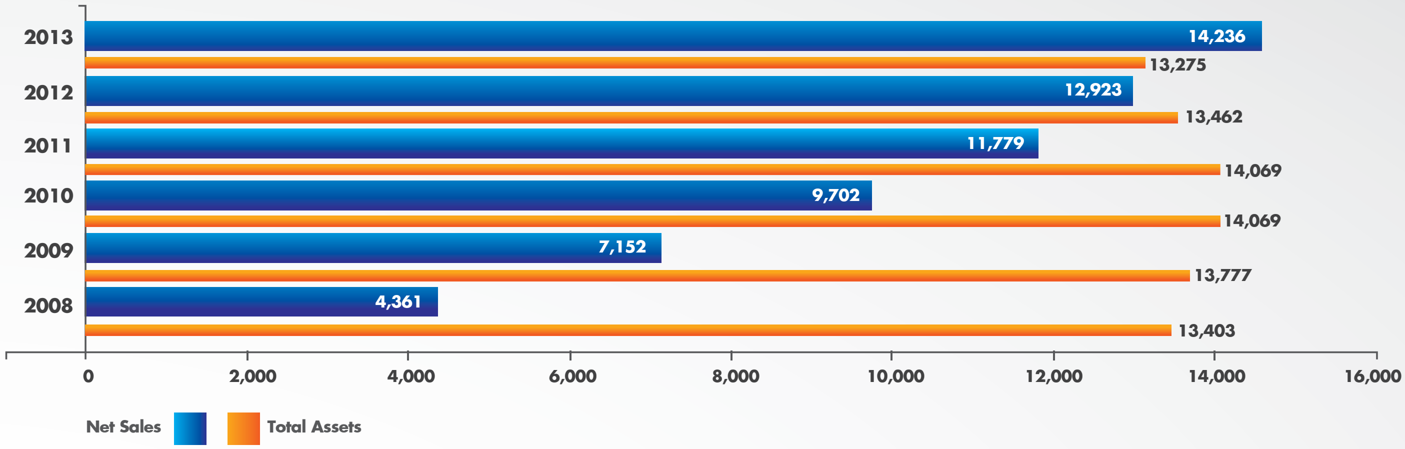
Note: Income tax includes current and deferred tax expense as per profit and loss account for the year.



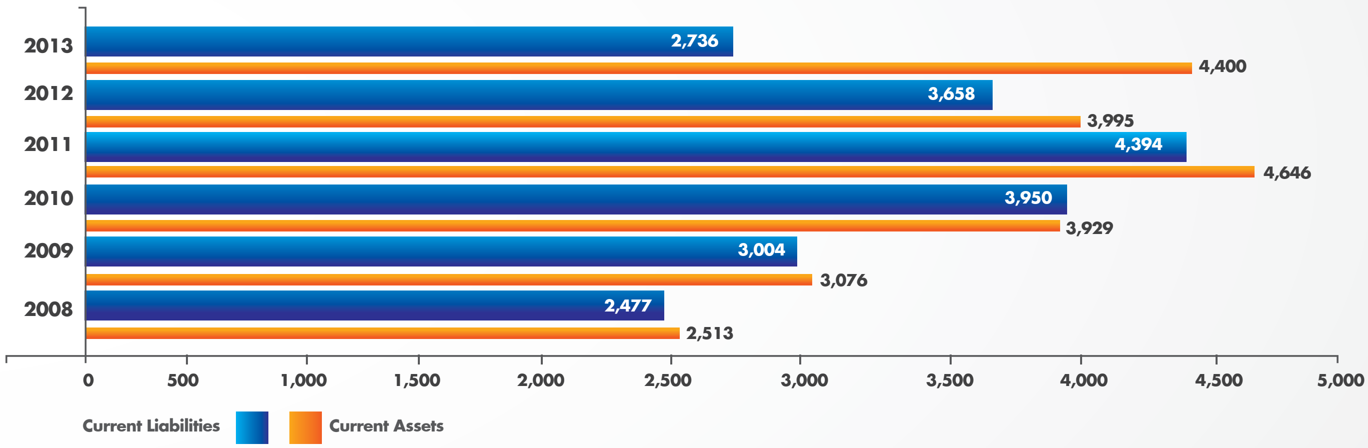
# Summarized Six Year Data

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| | (Rupees in Million) | | | | | |
| **Balance Sheet** | | | | | | |
| Share Capital | | | | | | |
| Ordinary shares | **1,060** | 707 | 707 | 707 | 707 | 707 |
| Preference shares | **2,103** | 3,004 | 3,004 | 3,004 | - | - |
| Reserves | **2,675** | 2,103 | 1,589 | 1,184 | 1,172 | 2,226 |
| Shareholders' equity | **5,838** | 5,814 | 5,300 | 4,895 | 1,878 | 2,933 |
| Subordinated loan | **-** | 1,000 | 1,000 | 1,000 | 1,650 | 1,650 |
| Long-term financing | **4,425** | 3,810 | 4,225 | 5,075 | 7,691 | 6,181 |
| Deferred taxation – Liability / (Assets) | **550** | 144 | - | (212) | (190) | 352 |
| Capital employed | **10,813** | 10,769 | 10,525 | 10,970 | 11,219 | 11,135 |
| Property, plant and equipment | **8,857** | 9,439 | 9,384 | 9,879 | 10,454 | 10,855 |
| Other non-current assets | **19** | 29 | 38 | 49 | 57 | 34 |
| Net current assets / Working capital | **1,664** | 337 | 252 | (21) | 72 | 36 |
| **Profit & Loss** | | | | | | |
| Sales – gross | **16,513** | 14,980 | 13,959 | 11,323 | 8,332 | 5,036 |
| Sales – net | **14,236** | 12,923 | 11,779 | 9,702 | 7,152 | 4,361 |
| Gross profit /(loss) | **2,546** | 2,113 | 2,010 | 1,447 | (74) | 318 |
| Operating profit / (loss) | **2,099** | 1,701 | 1,703 | 1,212 | (294) | 137 |
| Profit / (loss) before tax | **1,406** | 790 | 735 | 71 | (1,595) | 37 |
| Profit / (loss) after tax | **928** | 515 | 405 | 42 | (1,054) | 28 |
| EBITDA | **3,007** | 2,479 | 2,452 | 1,966 | 400 | 415 |
| **Cash Flows** | | | | | | |
| Net cash flow from operating activities | **1,678** | 1,755 | 735 | (473) | (211) | (865) |
| Net cash flow from investing activities | **(305)** | (798) | (234) | (163) | (567) | (2,591) |
| Net cash flow from financing activities | **(1,289)** | (415) | (850) | (292) | 1,511 | 2,315 |
| Changes in cash and cash equivalents | **84** | 542 | (350) | (928) | 733 | (1,141) |
| Cash and cash equivalents – Year end | **(1,336)** | (1,421) | (1,963) | (1,613) | (685) | (1,418) |
| **Others** | | | | | | |
| Number of Employees (at year end) | **1,643** | 1,638 | 1,710 | 1,631 | 1,520 | 1,609 |
| Number of shares (million) | | | | | | |
| Ordinary shares | **106** | 71 | 71 | 71 | 71 | 71 |
| Preference shares | **210** | 300 | 300 | 300 | - | - |

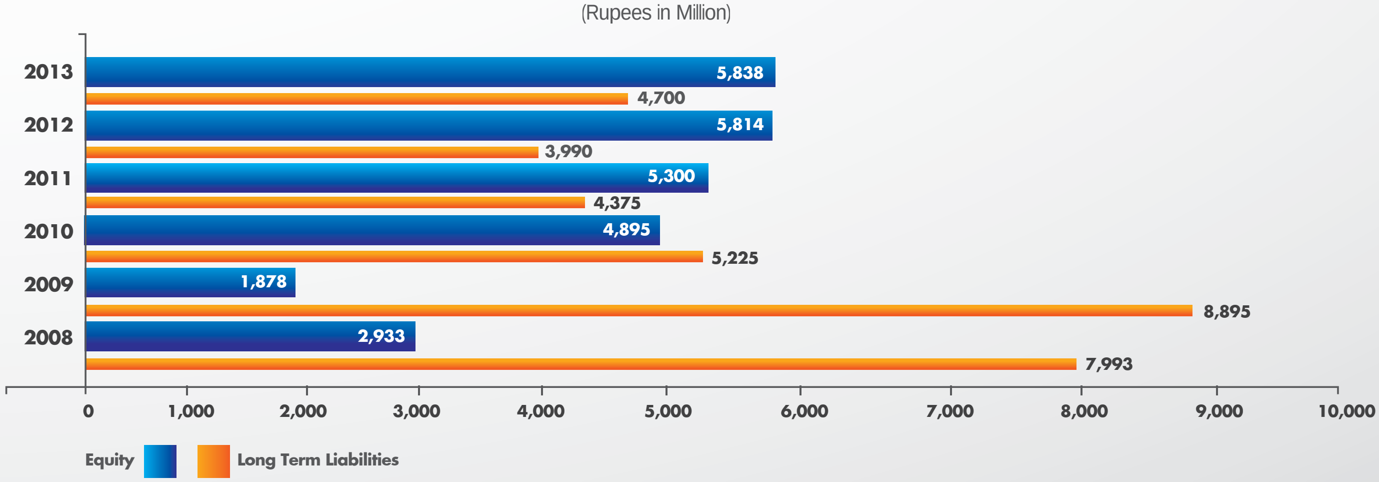
## Total Assets and Net Sales
(Rupees in Million)




## Current Assets and Current Liabilities
(Rupees in Million)




## Long Term Liabilities and Equity
(Rupees in Million)

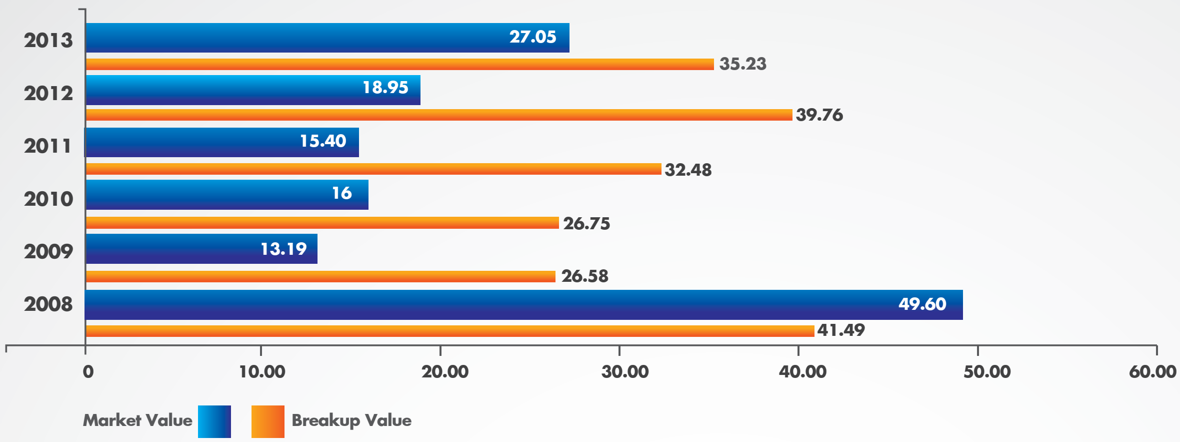


# Financial Performance

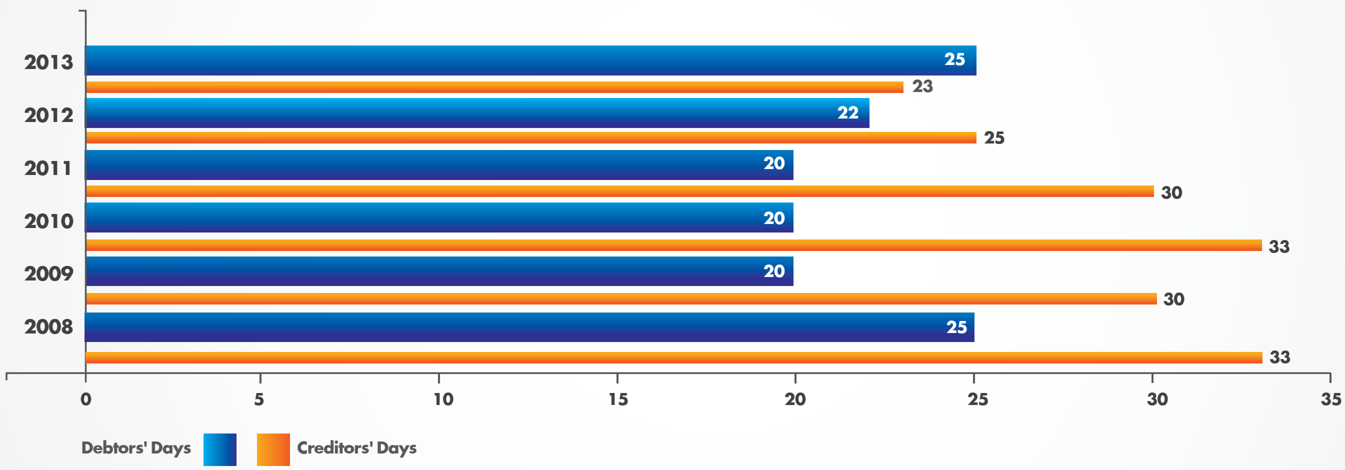
| | | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Profitability** | | | | | | | |
| Gross profit / (loss) margin | % | **18** | 16 | 17 | 15 | (1) | 7 |
| EBITDA margin to sales | % | **21** | 19 | 21 | 20 | 6 | 10 |
| Profit / (loss) before tax margin | % | **10** | 6 | 6 | 1 | (22) | 1 |
| Net profit / (loss) margin | % | **7** | 4 | 3 | 0.43 | (15) | 1 |
| Return on equity | % | **16** | 9 | 8 | 1 | (56) | 1 |
| Return on capital employed | % | **21** | 14 | 14 | 10 | (3) | 1 |
| **Operating Performance / Liquidity** | | | | | | | |
| Total assets turnover (excl. CWIP) | | **1.08 : 1** | 0.97 : 1 | 0.84 : 1 | 0.69 : 1 | 0.53 : 1 | 0.68 : 1 |
| Fixed assets turnover | | **1.58 : 1** | 1.39 : 1 | 1.23 : 1 | 0.97 : 1 | 1.02 : 1 | 1.42 : 1 |
| Debtors turnover | | **14.8: 1** | 16.81 : 1 | 18.67 : 1 | 17.92 : 1 | 18.17 : 1 | 14.51 : 1 |
| Debtors days | | **25** | 22 | 20 | 20 | 20 | 25 |
| Inventory turnover | | **6.34 : 1** | 4.99 : 1 | 4.31 : 1 | 5.13 : 1 | 5.06 : 1 | 4.14 : 1 |
| Inventory days | | **58** | 73 | 85 | 71 | 72 | 88 |
| Creditors turnover | | **15.92 : 1** | 14.34 : 1 | 12.14 : 1 | 11.12 : 1 | 12.11 : 1 | 10.96 :1 |
| Creditors days | | **23** | 25 | 30 | 33 | 30 | 33 |
| Operating cycle days | | **60** | 75 | 75 | 58 | 62 | 80 |
| Return on assets (excl. CWIP) | % | **7.02** | 3.88 | 2.88 | 0.30 | (8.00) | 1.00 |
| Current ratio | | **1.61 : 1** | 1.09 : 1 | 1.06 : 1 | 0.99 : 1 | 1.02 : 1 | 1.01 : 1 |
| Quick / Acid test ratio | | **0.46 : 1** | 0.34 : 1 | 0.20 : 1 | 0.26 : 1 | 0.30 : 1 | 0.17 : 1 |
| **Capital Market / Capital Structure Analysis** | | | | | | | |
| Market value per share | Rs | **27.05** | 18.95 | 15.40 | 16.00 | 13.19 | 49.60 |
| Breakup value / (Net assets/share) | Rs | **35.23** | 39.76 | 32.48 | 26.75 | 26.58 | 41.49 |
| Earnings / (loss) per share (pre tax) | Rs | **11.42** | 4.49 | 3.88 | (2.06) | (17.96) | 0.41 |
| Earnings / (loss) per share (after tax) | Rs | **6.09** | 1.40 | 0.17 | (2.38) | (11.87) | 0.32 |
| Price earning ratio | | **4.44 : 1** | 13.54 : 1 | 92.12 : 1 | (6.72) : 1 | (1.11) : 1 | 155.76 : 1 |
| Market price to breakup value | | **0.77 : 1** | 0.48 : 1 | 0.47 : 1 | 0.60 : 1 | 0.50 : 1 | 1.20 : 1 |
| Debt equity ratio | | **43 : 57** | 36 : 64 | 40 : 60 | 46 : 54 | 69 : 31 | 57 : 43 |
| Weighted averate cost of debt | | **11.56** | 13.50 | 12.76 | 13.07 | 13.83 | 8.51 |
| Interest coverage ratio | | **3.03 : 1** | 1.87 : 1 | 1.76 : 1 | 1.06 : 1 | (0.23) : 1 | 1.37 : 1 |

## Breakup Value and Market Value per Share

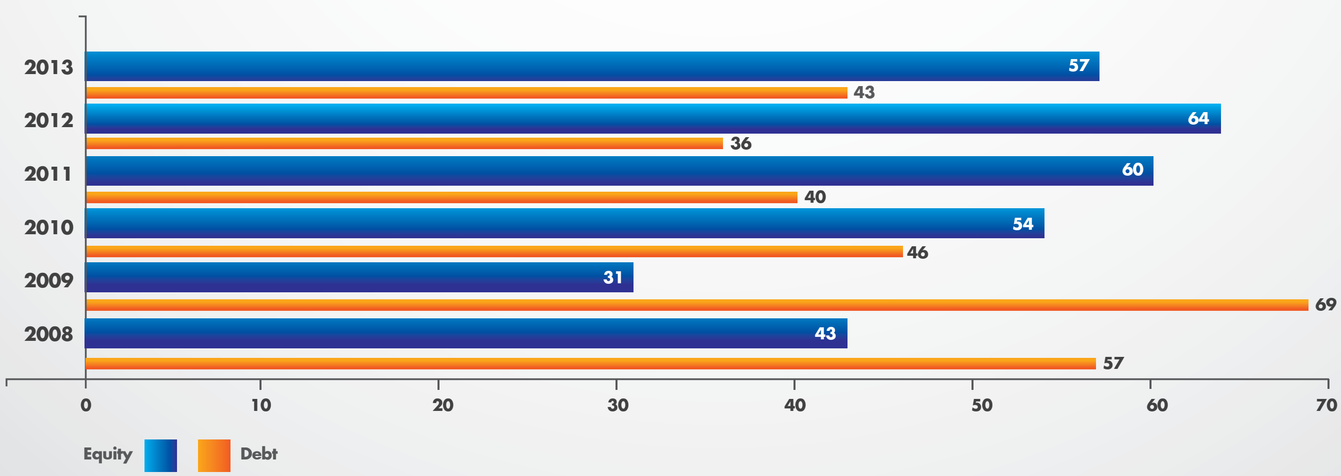
(Rupees)




## Debtors and Creditors Days




## Debt Equity Ratio



# Horizontal Analysis

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| **PROFIT AND LOSS ACCOUNT** | | | | | | |
| Sales – net | 14,236 | 110 | 12,923 | 110 | 11,779 | 121 |
| Cost of sales | (11,690) | 108 | (10,810) | 111 | (9,769) | 118 |
| Gross profit / (loss) | 2,546 | 120 | 2,113 | 105 | 2,010 | 139 |
| General and administrative expenses | (308) | 112 | (275) | 121 | (227) | 110 |
| Selling and distribution expenses | (113) | 105 | (108) | 103 | (105) | 134 |
| Other operating income | 91 | 101 | 90 | 102 | 88 | 119 |
| Other operating charges | (117) | 98 | (119) | 192 | (62) | 269 |
| Operating profit / (loss) | 2,099 | 123 | 1,701 | 100 | 1,704 | 141 |
| Finance cost | (693) | 76 | (911) | 94 | (969) | 84 |
| Profit / (loss) before taxation | 1,406 | 178 | 790 | 107 | 735 | 1,050 |
| Taxation | (478) | 174 | (275) | 83 | (330) | 1,179 |
| Profit / (loss) after taxation | 928 | 180 | 515 | 127 | 405 | 964 |
| **BALANCE SHEET** | | | | | | |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment | | | | | | |
| Operating fixed assets | 8,808 | 95 | 9,239 | 99 | 9,365 | 95 |
| Capital work in progress | 48 | 25 | 200 | 1,051 | 19 | 68 |
| Intangible assets | 11 | 48 | 23 | 74 | 31 | 76 |
| Long-term loans and advances | 5 | 167 | 3 | 69 | 4 | 80 |
| Long-term deposits | 3 | 100 | 3 | 100 | 3 | 100 |
| Deferred taxation | - | - | - | - | - | - |
| CURRENT ASSETS | | | | | | |
| Stores and spares | 867 | 102 | 854 | 97 | 877 | 119 |
| Stock in trade | 2,016 | 121 | 1,672 | 63 | 2,670 | 143 |
| Trade debts | 1,185 | 113 | 1,046 | 142 | 736 | 97 |
| Loans and advances | 36 | 240 | 15 | 28 | 56 | 64 |
| Trade deposits and short-term prepayments | 12 | 400 | 3 | 33 | 9 | 129 |
| Other receivables | 11 | 8 | 144 | 600 | 24 | 240 |
| Tax refunds due from Government | 48 | 240 | 20 | 29 | 69 | 128 |
| Taxation-net | 148 | 411 | 36 | 48 | 75 | 55 |
| Cash and bank balances | 77 | 38 | 204 | 157 | 130 | 49 |
| EQUITY AND LIABILITIES | | | | | | |
| SHARE CAPITAL AND RESERVES | | | | | | |
| Issued, subscribed and paid-up capital | | | | | | |
| Ordinary shares | 1,060 | 150 | 707 | 100 | 707 | 100 |
| Preference shares | 2,103 | 70 | 3,004 | 100 | 3,004 | 100 |
| Reserves | 2,675 | 127 | 2,103 | 132 | 1,589 | 134 |
| NON-CURRENT LIABILITIES | | | | | | |
| Subordinated loan | - | - | 1,000 | 100 | 1,000 | 100 |
| Long-term financing | 4,151 | 146 | 2,845 | 84 | 3,375 | 80 |
| Deferred taxation | 550 | 382 | 144 | - | - | - |
| Retention money payable | - | - | - | - | - | - |
| CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 999 | 108 | 928 | 92 | 1,005 | 110 |
| Financial charges payables | 49 | 35 | 141 | 31 | 446 | 146 |
| Short-term borrowings | 1,414 | 87 | 1,625 | 78 | 2,093 | 111 |
| Retention money payable | - | - | - | - | - | - |
| Current portion of long-term financing | 274 | 28 | 965 | 113 | 850 | 100 |

**Rupees in Million**

| 2010 | | 2009 | | 2008 | | BASE YEAR 2007 |
|---|---|---|---|---|---|---|
| Amount | % | Amount | % | Amount | % | Amount |
| 9,702 | 136 | 7,152 | 164 | 4,361 | 113 | 3,844 |
| (8,255) | 114 | (7,226) | 179 | (4,042) | 114 | (3,538) |
| 1,447 | 1,955 | (74) | (23) | 319 | 104 | 306 |
| (207) | 140 | (148) | 122 | (121) | 139 | (87) |
| (79) | 136 | (58) | 141 | (41) | 146 | (28) |
| 74 | 123 | 60 | 150 | 40 | 108 | 37 |
| (23) | 31 | (74) | 123 | (60) | 429 | (14) |
| 1,212 | 413 | (294) | (214) | 137 | 64 | 214 |
| (1,141) | 88 | (1,300) | 1,300 | (100) | 111 | (90) |
| 70 | (4) | (1,594) | (4,308) | 37 | 30 | 124 |
| (28) | (5) | 540 | (6,000) | (9) | 22 | (41) |
| 42 | (4) | (1,054) | (3,764) | 28 | 34 | 83 |
| | | | | | | |
| 9,851 | 97 | 10,158 | 264 | 3,849 | 168 | 2,293 |
| 28 | 9 | 296 | 4 | 7,006 | 111 | 6,297 |
| 41 | 82 | 50 | 192 | 26 | 433 | 6 |
| 5 | 125 | 4 | 67 | 6 | 100 | - |
| 3 | 100 | 3 | 100 | 3 | 75 | 4 |
| 213 | 112 | 190 | 100 | - | - | - |
| | | | | | | |
| 739 | 121 | 610 | 169 | 362 | 157 | 231 |
| 1,869 | 138 | 1,357 | 91 | 1,497 | 328 | 456 |
| 759 | 151 | 504 | 122 | 413 | 147 | 281 |
| 88 | 140 | 63 | 332 | 19 | 317 | 6 |
| 7 | 33 | 21 | 111 | 19 | 380 | 5 |
| 10 | 250 | 4 | 12 | 34 | 1,700 | 2 |
| 54 | 174 | 31 | 21 | 150 | 1,667 | 9 |
| 137 | 173 | 79 | 2,633 | 3 | 11 | 27 |
| 265 | 65 | 407 | 2,544 | 16 | 73 | 22 |
| | | | | | | |
| 707 | 100 | 707 | 100 | 707 | 110 | 643 |
| 3,004 | 100 | - | - | - | - | - |
| 1,184 | 101 | 1,172 | 53 | 2,226 | 98 | 2,262 |
| | | | | | | |
| 1,000 | 61 | 1,650 | 100 | 1,650 | 105 | 1,575 |
| 4,225 | 58 | 7,245 | 121 | 5,971 | 160 | 3,731 |
| - | - | - | - | 352 | 96 | 365 |
| - | - | - | - | 19 | 73 | 26 |
| | | | | | | |
| 916 | 105 | 871 | 151 | 578 | 215 | 269 |
| 305 | 51 | 595 | 302 | 197 | 166 | 119 |
| 1,878 | 172 | 1,091 | 76 | 1,434 | 480 | 299 |
| - | - | - | - | 59 | 42 | 140 |
| 850 | 191 | 446 | 212 | 210 | 100 | 210 |

# Vertical Analysis

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| **PROFIT AND LOSS ACCOUNT** | | | | | | |
| Sales – net | 14,236 | 100.00 | 12,923 | 100.00 | 11,779 | 100.00 |
| Cost of sales | (11,690) | 82.12 | (10,810) | 83.65 | (9,769) | 82.94 |
| Gross profit / (loss) | 2,546 | 17.88 | 2,113 | 16.35 | 2,010 | 17.06 |
| General and administrative expenses | (308) | 2.16 | (275) | 2.13 | (227) | 1.93 |
| Selling and distribution expenses | (113) | 0.79 | (108) | 0.84 | (105) | 0.89 |
| Other operating income | 91 | 0.64 | 90 | 0.70 | 88 | 0.75 |
| Other operating charges | (117) | 0.82 | (119) | 0.92 | (62) | 0.53 |
| Operating profit / (loss) | 2,099 | 14.74 | 1,701 | 13.16 | 1,704 | 14.46 |
| Finance cost | (693) | 4.87 | (911) | 7.05 | (969) | 8.22 |
| Profit / (loss) before taxation | 1,406 | 9.88 | 790 | 6.11 | 735 | 6.24 |
| Taxation | (478) | 3.36 | (275) | 2.13 | (330) | 2.80 |
| Profit / (loss) after taxation | 928 | 6.52 | 515 | 3.98 | 405 | 3.44 |
| BALANCE SHEET | | | | | | |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment | | | | | | |
| Operating fixed assets | 8,808 | 66.35 | 9,239 | 68.63 | 9,365 | 66.56 |
| Capital work in progress | 48 | 0.36 | 200 | 1.49 | 19 | 0.14 |
| Intangible assets | 11 | 0.08 | 23 | 0.17 | 31 | 0.22 |
| Long-term loans and advances | 5 | 0.04 | 3 | 0.02 | 4 | 0.03 |
| Long-term deposits | 3 | 0.02 | 3 | 0.02 | 3 | 0.02 |
| Deferred taxation | - | - | - | - | - | - |
| CURRENT ASSETS | | | | | | |
| Stores and spares | 867 | 6.53 | 854 | 6.34 | 878 | 6.24 |
| Stock-in-trade | 2,016 | 15.19 | 1,672 | 12.42 | 2,670 | 18.98 |
| Trade debts | 1,185 | 8.93 | 1,046 | 7.77 | 736 | 5.23 |
| Loans and advances | 36 | 0.27 | 15 | 0.11 | 56 | 0.40 |
| Trade deposits and short-term prepayments | 12 | 0.09 | 3 | 0.02 | 9 | 0.06 |
| Other receivables | 11 | 0.08 | 143 | 1.06 | 24 | 0.17 |
| Tax refunds due from Government | 48 | 0.36 | 20 | 0.15 | 69 | 0.49 |
| Taxation-net | 148 | 1.11 | 36 | 0.27 | 75 | 0.53 |
| Cash and bank balances | 77 | 0.58 | 204 | 1.52 | 130 | 0.92 |
| TOTAL ASSETS | 13,275 | 100 | 13,462 | 100 | 14,069 | 100 |
| EQUITY AND LIABILITIES | | | | | | |
| SHARE CAPITAL AND RESERVES | | | | | | |
| Issued, subscribed and paid-up capital | | | | | | |
| Ordinary shares | 1,060 | 7.98 | 707 | 5.25 | 707 | 5.03 |
| Preference shares | 2,103 | 15.84 | 3,004 | 22.32 | 3,004 | 21.35 |
| Reserves | 2,675 | 20.15 | 2,103 | 15.63 | 1,589 | 11.29 |
| NON-CURRENT LIABILITIES | | | | | | |
| Subordinated loan | - | - | 1,000 | 7.43 | 1,000 | 7.11 |
| Long-term financing | 4,151 | 31.27 | 2,845 | 21.14 | 3,375 | 23.99 |
| Deferred taxation | 550 | 4.14 | 144 | 1.07 | - | - |
| Retention money payable | - | - | - | - | - | - |
| CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 999 | 7.52 | 928 | 6.89 | 1,005 | 7.14 |
| Interest and mark-up accrued | 49 | 0.37 | 141 | 1.04 | 446 | 3.17 |
| Short-term borrowings | 1,414 | 10.65 | 1,625 | 12.07 | 2,093 | 14.88 |
| Retention money payable | - | - | - | - | - | - |
| Current portion of long-term financing | 274 | 2.06 | 965 | 7.17 | 850 | 6.04 |
| TOTAL EQUITY AND LIABILITY | 13,275 | 100 | 13,462 | 100 | 14,069 | 100 |

**Rupees in Million**

| 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|
| Amount | % | Amount | % | Amount | % |
| 9,702 | 100.00 | 7,152 | 100.00 | 4,361 | 100.00 |
| (8,255) | 85.09 | (7,226) | 101.03 | (4,043) | 92.71 |
| 1,447 | 14.91 | (74) | 1.03 | 319 | 7.29 |
| (207) | 2.13 | (148) | 2.07 | (121) | 2.77 |
| (79) | 0.82 | (58) | 0.81 | (41) | 0.94 |
| 74 | 0.76 | 60 | 0.85 | 40 | 0.92 |
| (23) | 0.24 | (74) | 1.03 | (60) | 1.38 |
| 1,212 | 12.49 | (294) | 4.11 | 137 | 3.14 |
| (1,141) | 11.76 | (1,300) | 18.18 | (100) | 2.29 |
| 71 | 0.73 | (1,594) | 22.30 | 37 | 0.85 |
| (28) | 0.29 | 540 | 7.55 | (9) | 0.21 |
| 42 | 0.43 | (1,054) | 14.74 | 28 | 0.64 |
| | | | | | |
| 9,851 | 70.02 | 10,158 | 73.73 | 3,849 | 28.72 |
| 28 | 0.20 | 296 | 2.15 | 7,006 | 52.27 |
| 41 | 0.29 | 50 | 0.36 | 26 | 0.19 |
| 5 | 0.04 | 4 | 0.03 | 6 | 0.04 |
| 3 | 0.02 | 3 | 0.02 | 3 | 0.02 |
| 213 | 1.51 | 190 | 1.38 | - | - |
| | | | | | |
| 739 | 5.25 | 610 | 4.43 | 362 | 2.70 |
| 1,869 | 13.28 | 1,357 | 9.85 | 1,497 | 11.17 |
| 759 | 5.39 | 504 | 3.66 | 413 | 3.08 |
| 88 | 0.63 | 63 | 0.46 | 19 | 0.14 |
| 7 | 0.05 | 21 | 0.15 | 19 | 0.14 |
| 10 | 0.07 | 4 | 0.03 | 34 | 0.25 |
| 54 | 0.38 | 31 | 0.23 | 150 | 1.12 |
| 137 | 0.97 | 79 | 0.57 | 3 | 0.02 |
| 265 | 1.88 | 407 | 2.95 | 16 | 0.12 |
| 14,069 | 100 | 13,777 | 100 | 13,403 | 100 |
| | | | | | |
| 707 | 5.03 | 707 | 5.13 | 707 | 5.27 |
| 3,004 | 21.35 | - | - | - | - |
| 1,184 | 8.42 | 1,172 | 8.51 | 2,226 | 16.61 |
| | | | | | |
| 1,000 | 7.11 | 1,650 | 11.98 | 1,650 | 12.31 |
| 4,225 | 30.03 | 7,245 | 52.59 | 5,971 | 44.55 |
| - | - | - | - | 352 | 2.63 |
| - | - | - | - | 19 | 0.14 |
| | | | | | |
| 916 | 6.51 | 871 | 6.32 | 578 | 4.31 |
| 305 | 2.17 | 595 | 4.32 | 197 | 1.47 |
| 1,878 | 13.35 | 1,091 | 7.92 | 1,434 | 10.70 |
| - | - | - | - | 59 | 0.44 |
| 850 | 6.04 | 446 | 3.25 | 210 | 1.57 |
| 14,069 | 100 | 13,777 | 100 | 13,403 | 100 |

# Chairman's Message

I am pleased to report that the operational and financial performance of the Company has shown very encouraging improvement over the last year.

Advance planning, strategic operational improvements and well thought market strategy has led to the many fold improvement of bottom lines as compared to last year.

Your Board has also taken some very strategic decisions for re-profiling the balance sheet of the Company by substituting the high cost long-term debt with low cost debt of extended period.

Further, your Company issued 25% right shares to expand the ordinary shareholders base and also to redeem the preference shares. In all 30% of preference shares, (16% percent from proceeds of right share and 14% through cash) were redeemed during the period. This action on the one hand will reduce the after tax cost of debt to the Company and on the other it will increase the earnings per share of ordinary shareholders.

Your Board is well aware of the continuing energy crisis in the country and is contemplating various plans to go for the alternate energy source other than gas. Since this requires major investment the Board is exploring several avenues to raise funding on an economically viable basis. The full benefit of investment can only be achieved if the project is cost effective.

Contrary to the last year I am pleased to say that the results of your Company could have been no better than the ones being presented herewith, under the given conditions. I believe that our valued stakeholders will also agree with me on this and their confidence in the Company's management will be re-strengthened by the continual improvement of our results for which we have striven so hard.

Iqbal Ali Lakhani
**Chairman**

# Directors' Report

On behalf of the Board of Directors (BOD), I am pleased to present the Annual Report of the Century Paper & Board Mills Limited (CPBM) for the year ended June 30th, 2013, along with the audited financial statements, and Auditors' Report thereon.

## MARKET REVIEW

It is promising to note that during the year under review the market of paper & board has shown a firm inclination towards your Company's products. The imports were also not very impacting because of the reasonably stable international prices coupled by the decline in the value of the rupee and our sluggish economy.

At the same time the market has shown an acceptable cost driven upward movement both in terms of selling price supported by the quality of the products of your Company.

It is worth mentioning that Company's prime product (Coated Duplex Board) is now accepted as a well-matched replacement of imported board and the market has developed a growing degree of confidence in your Company's products. This confidence is backed by an assured consistency and quality of the Company's products and its commitment to customers.

## OPERATIONS

It is very commendable that the operational staff of your Company endeavoured and succeeded in availing every drop of available energy, and thus was able to achieve production which was 6% more than the last year.

However, unfortunately a full year operations were still not possible due to the customary winter month's frequent stoppages in the supply of natural gas, not only for your Company, but also that of all downstream customers.

During the year under review a production level of 186 thousand metric tons were achieved as compared to last year's production of 175 thousand metric tons. The capacity utilization for the year stood at 77 % of the installed capacity (L.Y. 73%), which was constant at 96% of the available capacity (L.Y. 96%).


## SALES

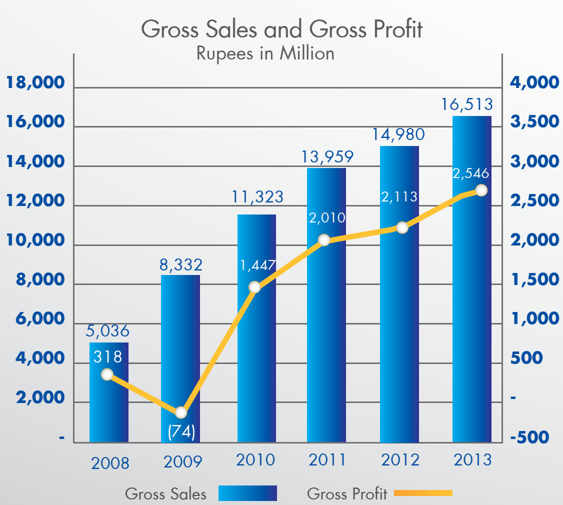
The year under review turned out to be the most favourable for the Company both in terms of sales value and sales quantity. The increased sales volume was fully supplemented by the better product mix resulting in the growth of top line of the Company. The Company crossed the rupee 14,000 million mark in terms of net sales value.

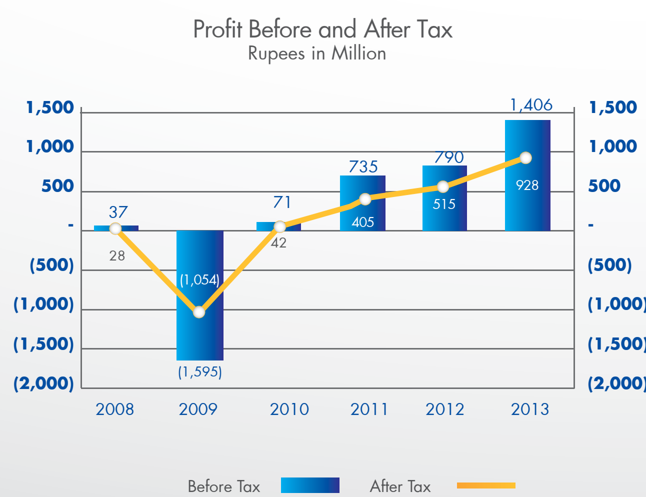
In quantitative terms the sales of the Company for the year under review were 181 thousand metric tons (L.Y. 172 thousand metric tons). The rupee value of the net sales for the year under review stood at Rs. 14,236 million (L.Y. Rs. 12,923 million) showing an increase of ten percent.

## FINANCIALS

Your Directors are pleased to report that once again the financials of the Company have shown an overall improvement from top to bottom. The improved financials of your Company speak louder than words of the dedication and focussed efforts of the management of the Company.

The net turnover for the year under review is recorded at Rs. 14,236 million (L.Y. Rs. 12,923 million). Gross profit of the Company for the period under review stood at Rs. 2,546 million as compared to Rs. 2,113 million of the last year.



The operating profit for the year under review stood at Rs. 2,099 million as compared to operating profit of Rs. 1,701 million of the last year.

The increase in operating profit is attributable to the increase in volume coupled with better average selling price due to better product mix. The net profit of the Company rose to Rs. 928 million for the year under review from last year's net profit of Rs. 515 million.

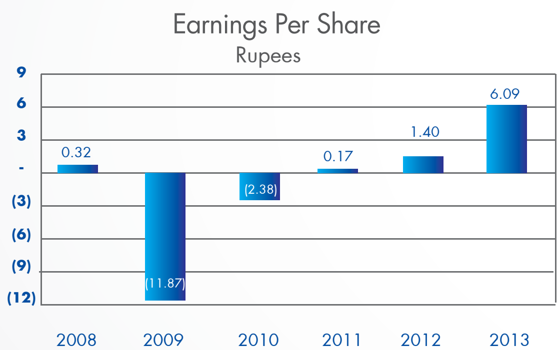
The summary of the operating results of the Company for the year under review along-with the comparatives for the last year are as under:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in Million) | |
| Sales | **14,236** | 12,923 |
| Cost of Sales | **(11,690)** | (10,810) |
| Gross Profit | **2,546** | 2,113 |
| Administrative, Selling and Other Operating Expenses | **(538)** | (502) |
| Other Income | **91** | 90 |
| Operating Profit | **2,099** | 1,701 |
| Finance Cost | **(693)** | (911) |
| Net Profit before Tax | **1,406** | 790 |
| Taxation | **(478)** | (275) |
| Net Profit after Tax | **928** | 515 |
| Sales Volumes (Metric Tons) | **180,725** | 172,241 |

## EARNINGS PER SHARE

For the year under review number of ordinary shares increased from 70,684 thousand to 106,025 thousand, due to declaration of bonus shares and later right shares. However, according to the requirement of the International Financial Reporting Standards (IAS 33), the Earnings per Share (EPS) has been calculated taking effect of Bonus and Right issue on weighted average number of shares which comes to 89,640 thousand as on June 30th 2013. Further due to redemption of 30% of preference shares the proportionate dividend attributable to the cumulative preference shares has been reduced from the last year figure of Rs. 391 million to Rs. 383 million for this year.

Consequently the earnings attributable to the ordinary shareholders for the purpose of calculating EPS come to Rs. 546 million (L.Y. Rs. 124 million). On this basis the EPS for the year is reported at Rs. 6.09 as compared to the last year restated EPS of Rs. 1.40.




## RE-PROFILING OF CAPITAL

In order to improve the financial health of the Company your Board of Directors took some major strategic decisions during the year to re-profile its capital structure. These decisions include:

**a) Issue of 20% Bonus Shares:**
In the first half of the financial year under review, your Directors with the purpose of providing a return to the ordinary shareholders announced a 20% dividend in the shape of the bonus shares. The BOD while announcing the bonus shares appreciated the ordinary shareholders who are with the Company for long and have re-imposed confidence in the management of the Company.

**b) Issue of 25% Right Shares:**
The BOD of your Company decided to issue 25% right shares with a view to increase the ordinary share capital and to use the proceeds to decrease the preference share capital along with the liability of cumulative preference dividend. These shares were issued at a subscription price of Rs. 20 (Rs. 10 at par plus a premium of Rs. 10) and fetched a total proceed of Rs. 424.10 million.

**c) Redemption of 30% Preference Shares.**
The proceed of the right shares as stated in the previous para were fully utilized for the redemption of 14% of preference shares along with the cumulative dividend in arrears on the shares being redeemed up to the date of redemption.

Furthermore it was also decided by your BOD to redeem 16% of preference shares along with the dividend in arrears by cash.

In all, 30% of preference shares i.e. 90.121 million shares out of the total of 300.404 million shares were redeemed in June 2013 along with cumulative dividend in arrear of Rs. 419.52 million. This corporate action is intended to reduce the fixed charge on the after tax profit of the Company.

Due to the above measures the equity of the Company has been re-classified which is reflected in the Balance Sheet.

## RE-PROFILING OF LONG-TERM DEBT

During the year the BOD also decided to substitute outstanding balance of Sukuk and Syndicated Loan with new loans carrying better terms and lower spread. In all Rs. 2.525 billion of Sukuk and Syndicated Loan was repaid using the early payment option and was substituted by Rs. 3.0 billion new loans with friendly per quarter instalment for five years. The BOD views that this arrangement will improve the liquidity besides reducing the mark-up charges in the coming years.

## AMENDMENTS IN RIGHTS, PRIVILEGES, TERMS AND CONDITIONS OF PREFERENCE SHARES

During the year the BOD also proposed to amend the rights, privileges, terms and conditions of preference shares. With the approval of preference as well as ordinary shareholders the following two major changes were brought about. The Company also sought approval of SECP for these changes which was duly granted during the year. The effective date of these changes is July 01, 2013 as determined by the Board.

Firstly the 25% of the original issue along with the cumulative dividend in arrear (if any) was made convertible into ordinary shares by using the yearly trailing average of market value of the ordinary shares adjusted for any bonus or right issue.

Secondly the dividend rate was reduced from 13% and is now linked with KIBOR plus a spread of 1%. With the KIBOR at present being less than 10%, it is hoped that this step will considerably reduce the fixed charge on after tax earnings.

## APPROPRIATIONS

a) Appropriations for Redemption of Preference Shares and Payment of Cumulative Dividend in Arrear thereon:

As stated earlier the BOD of your Company took a major strategic decision of redeeming 30% of preference shares outstanding along with the cumulative dividend in arrears up to the date of redemption. The redemption of preference shares along with the dividends in arrears necessitated the following appropriation of general reserves and un-appropriated profit.

| Description | Rupees |
|---|---|
| **GENERAL RESERVES** | |
| As on 1st July 2012 | 1,232,750,000 |
| Transfer to un-appropriated profit | (919,524,064) |
| **As on 30th June 2013** | **312,225,936** |
| **UN-APPROPRIATED PROFIT** | |
| Accumulated loss as on 1st July 2012 | (121,899,000) |
| Total comprehensive Income for the year | 928,166,000 |
| Transfer from general reserve | 919,524,064 |
| Unappropriated profit before appropriation | 1,725,791,064 |
| Appropriations: | |
| Transfer to Capital Redemption Reserve Fund | 480,647,300 |
| Cumulative Preference Dividend in Arrear | 419,524,064 |
| Total Appropriations | (900,171,364) |
| **Un-appropriated profit as at 30th June 2013** | **825,619,700** |

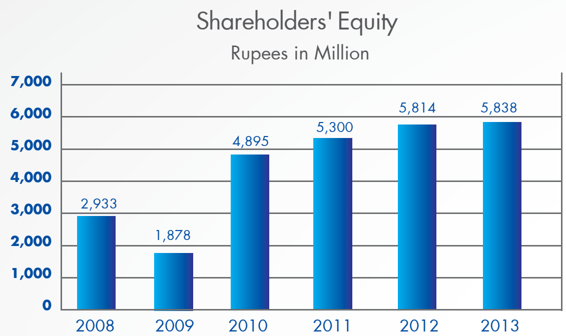
**b) Appropriation of Share Premium Reserve**

Your BOD in the first half of the year under review declared a dividend in the shape of bonus shares of 20%. This bonus was paid by appropriating the share premium reserve as envisaged in section 83 of the Companies Ordinance, 1984. The Share premium account at the close of financial year is as follows:

| Description | Rupees |
|---|---|
| **SHARES PREMIUM RESERVE** | |
| As on 1st July 2012 | 984,652,440 |
| 14,136,685 ordinary shares of Rs.10/- each Issued as fully paid bonus shares | (141,366,850) |
| Premium of Rs. 10/- each on 21,205,027 ordinary share issued as right shares - Net of share issue expenses | 204,649,245 |
| **As on 30th June 2013** | **1,047,934,835** |

## MARKET CAPITALIZATION

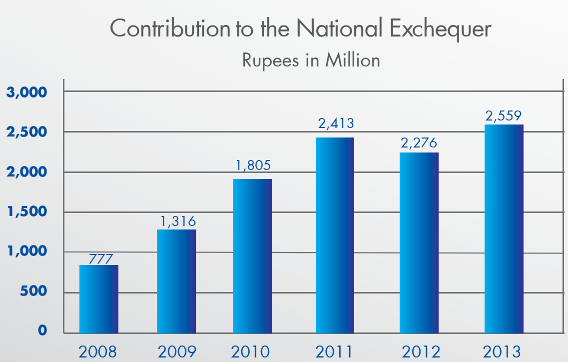
The Capital markets of the country were on the upward trend during the year under review. The market capitalization of your Company also fluctuated with the trends of the market. During the year the share of the Company touched the high of Rs. 32.88; with the market capitalization of Rs. 2,324.07 million on that day. The share touched the low of Rs. 18.30 and the market capitalization was at Rs. 1,293.51 million on that day.




At the close of the year, the market capitalization was Rs. 2,867.98 million, with a market value per share of Rs. 27.05 and break-up value per share of Rs. 35.23.

## CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your Company's contribution to the National Exchequer amounted to Rs. 2,559 million as compared to Rs. 2,276 million of the last year. This includes Rs. 213 million (L.Y. Rs. 155 million) as Income Tax, Rs. 2,277 million (L.Y. Rs. 2,057 million) as Sales Tax, Rs. 69 million (L.Y. Rs. 64 million) as Customs Duty.




## CORPORATE AFFAIRS

Three casual vacancies occurred during the year on the BOD. The BOD co-opted Mr. Kemal Shoaib as an independent Director and Mr. Abdul Aziz as the NIT Nominee to fill in the casual vacancies.

However Mr. Abdul Aziz citing personal reasons resigned as Director without attending any meeting. Mr. Muhammad Imran Rafiq was co-opted as the Nominee Director (NIT) w.e.f from August 19, 2013 to fill this casual vacancy.

## BOARD MEETINGS

Seven meetings of the Board of Directors were held during the year ended June 30th, 2013. Attendance by each Director was as under:

| Name of Director | Meetings Attended |
|---|---|
| Mr. Iqbal Ali Lakhani (Chairman) | 6 |
| Mr. Zulfiqar Ali Lakhani | 5 |
| Mr. Amin Mohammed Lakhani | 4 |
| Mr. Tasleemuddin Ahmed Batlay | 7 |
| Mr. Shahid Ahmed Khan | 7 |
| Mr. Kemal Shoaib | 7 |
| Mr. Aftab Ahmad (CEO) | 5 |
| Mr. Abdul Aziz | -* |

*only one meeting was held during the holding of office

## AUDIT COMMITTEE

The Board in accordance with the Code of Corporate Governance has set up an audit committee comprising of four Directors. An independent Director is its Chairman and three Non-Executive Directors are members. Four meetings of the Committee were held during the year ended June 30th, 2013. Attendance by each Member was as under:

| Name of Director | Meetings Attended |
|---|---|
| Mr. Kemal Shoaib (Chairman) | 1* |
| Mr. Zulfiqar Ali Lakhani | 3 |
| Mr. Amin Mohammed Lakhani | 2 |
| Mr. Tasleemuddin Ahmed Batlay | 4 |

*One meeting held after he became member on March 29, 2013

The terms of reference of the Audit committee are those as specified in the Code of Corporate Governance. In addition the Audit committee is free to ask for any information and explanation in order to satisfy it regarding the financial statements and internal controls.

The committee meets at least once every quarter to review the financial statements and any major judgemental area with reference to Company's business. The Audit committee gives its recommendation to the Board for the approval of financial statements which are duly endorsed by the CEO and CFO.

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board in accordance with the Code of Corporate Governance has also constituted a Human Resource and Remuneration Committee, comprising of the following three Directors:

| | |
|---|---|
| Mr. Zulfiqar Ali Lakhani | Chairman |
| Mr. Tasleemuddin Ahmed Batlay | Member |
| Mr. Aftab Ahmad | Member |

One meeting of the committee was held during the year which was attended by all the members. The terms and reference of the committee includes but not limited to those as mentioned in the Code of Corporate Governance.

## CORPORATE AND FINANCIAL REPORTING

Your Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of Corporate and Financial Reporting framework.

These Financial Statements together with the notes thereto have been drawn up, in conformity with the Companies Ordinance, 1984. International Financial Reporting Standards wherever applicable have been followed in their preparation.

Proper books of accounts have been maintained by the Company.

Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.

There are no doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations of the stock exchanges.

The system of internal control is sound in design and has been effectively implemented and monitored.

The Board of Directors certify that the financial statements, including the cash flow and the changes in equity; fairly present the state of affairs of the Company's business and of its operations.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

## PATTERN OF SHAREHOLDING

Pattern of Shareholding of the Company as at June 30th, 2013, along with the necessary information is annexed to this report.

There were 1,978 shareholders on the record of the Company as at 30th June 2013.

One of the Director has inherited 264 shares of the Company from his late mother.

## PROVIDENT AND GRATUITY FUNDS

The Company provides terminal benefits to its employees in the shape of provident fund and gratuity. These funded benefits are maintained by two separate duly approved trusts. These trusts are managed by the trustees who get the funds audited each year.

The Trustees of the respective funds have informed the Company that as per the values of the investments of the two funds were as follows as on June 30th, 2013:

| | |
|---|---|
| Provident Fund | Rs. 325.451 million |
| Gratuity Fund | Rs. 209.735 million |

## AUDITORS

The Auditors BDO Ebrahim & Company, Chartered Accountants are the retiring auditors of the Company and offers their services for re-appointment. They confirmed that they have been given satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the ICAP.

On the recommendation of the Board's Audit Committee, the Board of Directors proposed their re-appointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending June 30th, 2014.

## CORPORATE SOCIAL RESPONSIBILITY

As the Company is a part of Lakson Group of Companies. The philanthropic activities on behalf of Company are done by charitable arms of the group under the name of Hasanali & Gulbanoo Lakhani Foundation and Lakson Medical Trust.

Nevertheless your Company is committed to social and ethical cause of the society and believes in building strong bonds with all segments of the society. To cement this bond a Socio Economic survey of the area surrounding the mills was under taken. This survey highlighted the non availability of clean drinking water and deplorable conditions of Schools as two major areas which needs immediate attention. As a part of its CSR activities your Company intends to address these two issues in the near future.

Beside; a value system in the Company is in place to ensure social and ethical conduct and to inculcate the spirit of ethical behaviour, commitment to excellence and customer focussed approach. The Directors consider it as a long term investment in the collective development of Century's human resource in particular, and the society as a whole. Moreover festivities like employee's family fun fare, educational trips to historical places, summer camps for employee's children and inter-departmental sport activities have become a regular feature for the Company.

## SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Your Company is certified for ISO 14001:2004, ISO 9001: 2008 and has implemented OHSS 18001:2007.

Your Company is continually working to promote a quality conscious and safe working environment. Comprehensive risk assessment and related preventive measures are vigorously pursued to achieve zero accident. SHEQ framework is reviewed by the Company at regular intervals, followed by concrete steps for its improvement which includes the continuous monitoring of energy consumption, gaseous emission from boilers & power plant and waste water disposal.

Training sessions are regularly conducted for employees to enhance the awareness in the area of OH&S. Additionally a Communication Participation & Consultation Program" is in progress in order to create increased Safety Awareness.

Energy conservation has drawn focus in recent years; in this regard your Company has adopted energy saving systems and cleaner production technologies. Through regular monitoring and best practices Company has been able to achieve overall improvements in its energy consumption.


## HUMAN RESOURCE

Your Company endeavours to make the best use of its Human Capital Inventory. It has a broad and interactive approach towards its employees.

Company's core value system comprising of Humility & Compassion, Integrity, Change, Innovation, Continuous Improvement Mind set, Team Work, Sense of Urgency and Customer Centric approach, helps in cultivating individual employees by shaping them in an organized infrastructure, and transforming their creativities into professional excellence.

Appropriate career paths and internal recognition programmes are in place for technical and management staff. Scope emanates from on-job training to enhanced skill programs through subject specialists and culminates into participation in local and international seminars and training.

## EMPLOYEE RELATIONS

The cordial relationship between the management and the employees, remain as good as they are for the last many years.

## OUTLOOK FOR THE YEAR 2014

The shortage of energy (gas and electricity) poses a challenge to the Company, and although your Directors have taken some measures to deal with the energy shortfall (as are evident from the financials), however a major investment is needed to completely overcome the energy issue. The Directors are considering all the micro and macro variables before going for investment in energy. The Investment in the Coal Fired Boiler installed in June 2012 has been helpful in mitigating the energy crunch though marginally.

With the stated limitations your Directors hope that the Company will be able to produce a comparable result for the next year.

## ACKNOWLEDGEMENT

The Directors are pleased to place on record the appreciation for the financial institutions that helped in the initial stages of the expansion project in 2009 and later this year helped to re-profile the debt structure with competitive terms.

They also wish to acknowledge the devotion to duty by the employees of all cadres and are appreciative of their support and dedication.

They are also thankful to all the other stakeholders and fully acknowledge their contribution and commitment.

**On Behalf Of the Board of Directors**

Aftab Ahmad
Chief Executive Officer

# Statement of Compliance With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1) The Company encourages representation of independent, non-executive Directors and Directors representing minority interest on its Board of Directors. The Board comprises one independent and six non-executive Directors. The independent director who was co-opted w.e.f March 29, 2013 meets the criteria of independence under clause i(b) of the CCG. At present the Board consists of the following:

| | |
|---|---|
| **Independent Director** | Mr. Kemal Shoaib |
| **Non-Executives Directors** | Mr. Iqbal Ali Lakhani<br>Mr. Zulfiqar Ali Lakhani<br>Mr. Amin Muhammed Lakhani<br>Mr. Tasleemuddin Ahmed Batlay<br>Mr. Shahid Ahmed Khan<br>Mr. Muhammad Imran Rafiq |
| **Executive Director** | Mr. Aftab Ahmad (CEO) |

The Chief Executive Officer (CEO) is a deemed Director of the Board by virtue of his office.

2) The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.

3) All the resident Directors of the Company are registered taxpayers, and none of them has defaulted in payment of any loan to a banking company, a DFI an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) Casual vacancies occurring in the Board during the current year were promptly filled in.

5) The Company had adopted a Code of Conduct which has been disseminated throughout the Company. It has also been placed on the website of the Company.

6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7) All the powers of the Board have been duly exercised and decisions on material transactions and major judgemental area if any were taken by the Board. The Board approves the appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, and other Executive and/or Non-Executive Director/s.

8) The meetings of the Board were presided by the Chairman and in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated in time.

9) Majority of the Directors on the Board are having more than 14 years of education and more than 15 years of experience; therefore, they are exempted from the Directors' training program as prescribed by the Code of Corporate Governance. One Director attended the directors' training program during the year.

10) The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11) The Directors' report has been prepared in compliance with the requirements of the CCG containing the salient matters required to be disclosed.

12) Before approval by the Board the financial statements of the Company were duly reviewed by the Audit Committee and endorsed by the CEO and CFO. The half yearly and annual accounts were also initialled by the external auditors before presentation to the Board.

13) The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14) The Company has complied with all the corporate and financial reporting requirements of the CCG.

15) The Board has formed an Audit Committee comprising of one independent and three non-executive Directors. The Chairman of the committee is an independent Director.

16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference/charter of the committee have been formed and approved by the Board and advised to the committee for compliance.

17) The Board has also constituted a Human Resource and Remuneration Committee comprising of two non executive and one executive director. The Chairman of the committee is a non-executive Director.

18) The Board has set up an effective internal audit function which is headed by a chartered accountant. The full time staffs are qualified and experienced for the purpose, and conversant with the policies and procedures of the Company.

19) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

20) The statutory auditors or the persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations. The auditors have confirmed that they have observed IFAC guidelines in this regard.

21) The Company announces the "closed period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities and immediately intimates the closed period to Directors/Executives and Stock Exchange(s). The Board has set the threshold of Manager and above to be an "executive" as required by CCG.

22) Material and sensitive information has been disseminated at once among all market participants through stock exchange(s).

23) We confirm that material principles contained in the Code of Corporate Governance have been complied with.

**AFTAB AHMAD**
Chief Executive Officer
Date: August 19, 2013

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Fax: +92 21 3568 4239
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Lakson Square
Building No.1
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Pakistan

# Review Report to the members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of CENTURY PAPER & BOARD MILLS LIMITED to comply with the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

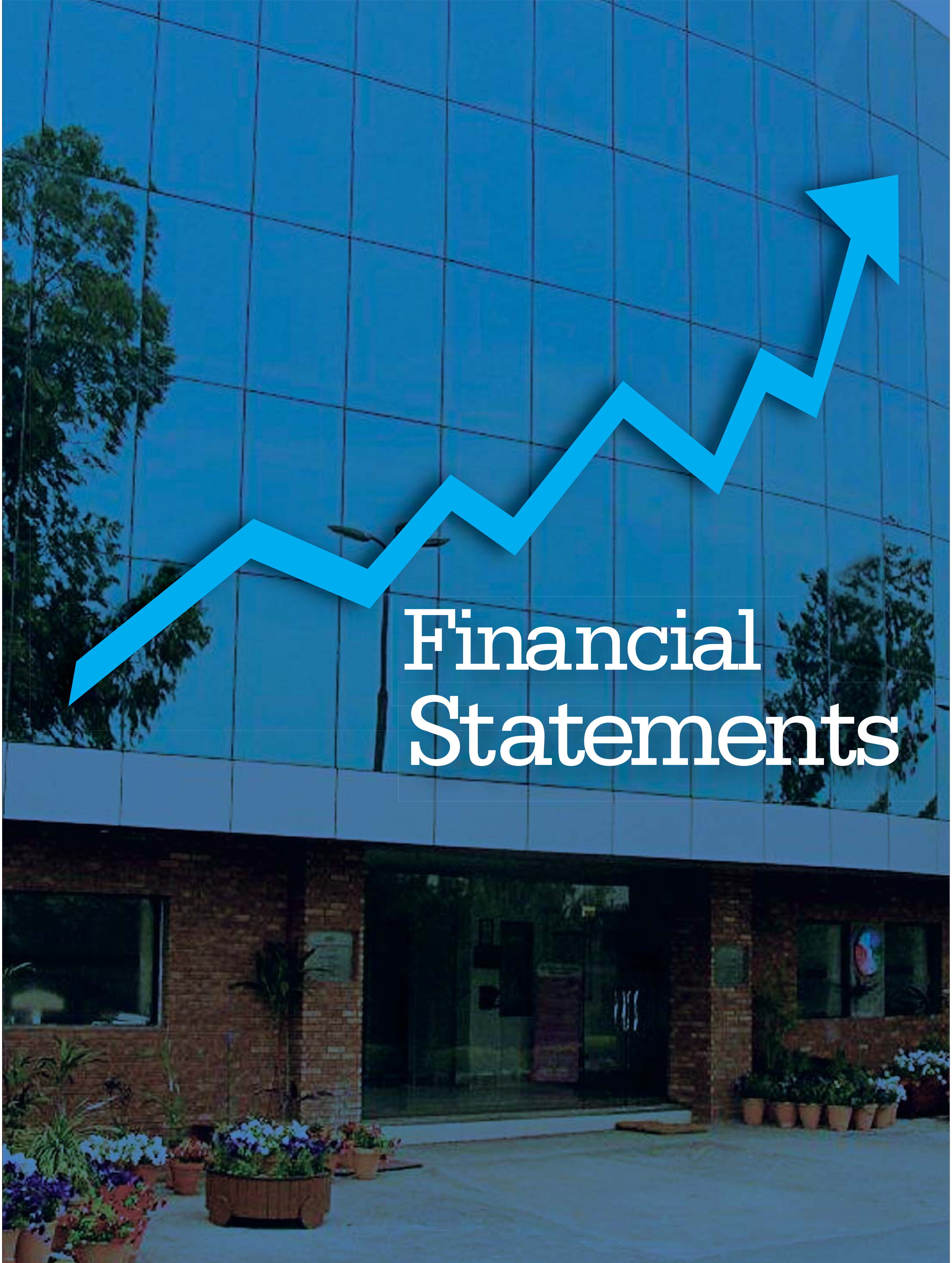
**KARACHI**

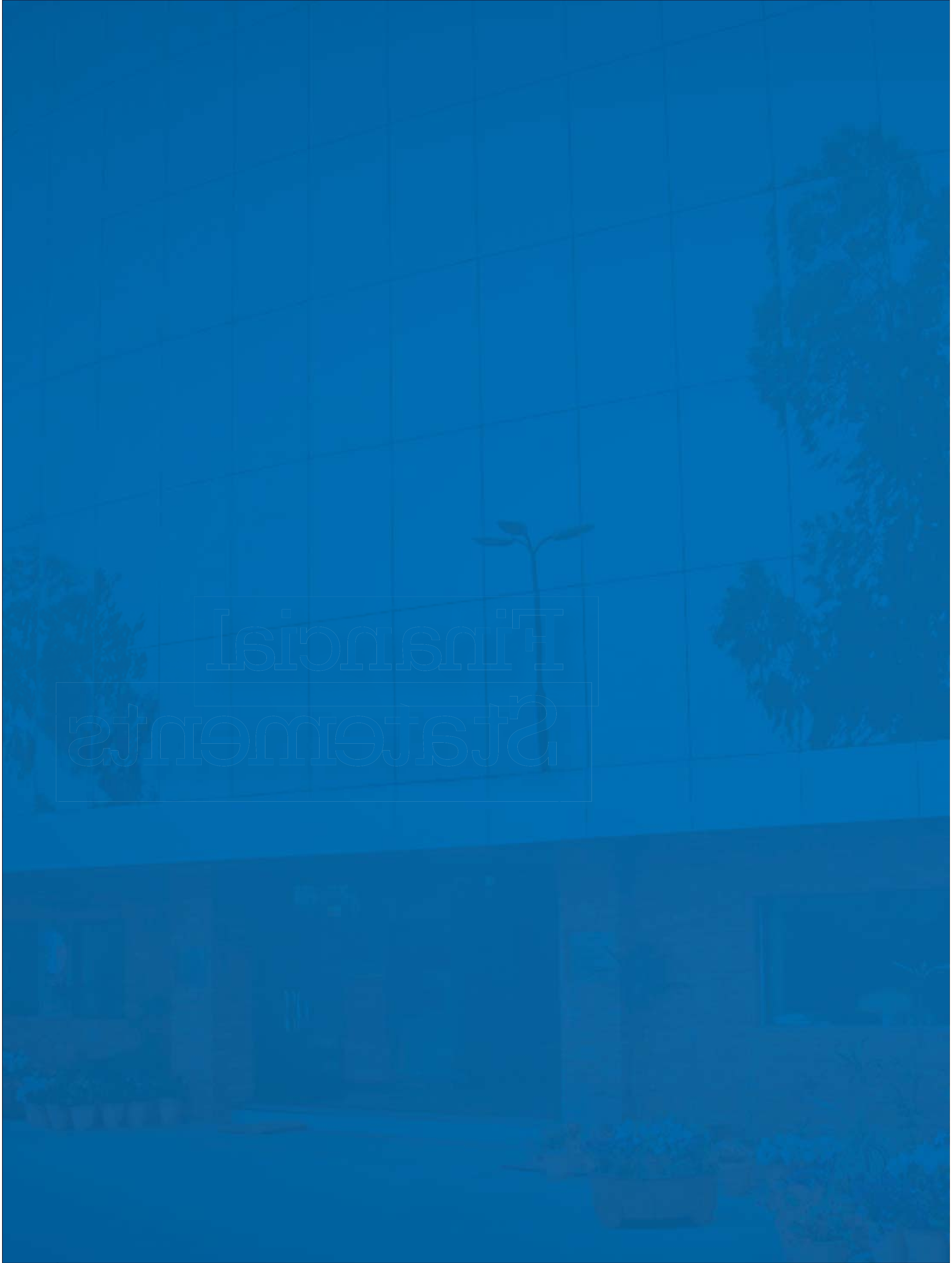
BDO Ebrahim & Co.

**BDO Ebrahim & Co.**
**CHARTERED ACCOUNTANTS**
Engagement Partner: Zulfikar Ali Causer

**DATED:** August 19, 2013

# Financial Statements





BDO

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Sarwar Shaheed Road
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Pakistan

# Auditors' Report to the Members

We have audited the annexed balance sheet of CENTURY PAPER & BOARD MILLS LIMITED as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

    i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

    ii) the expenditure incurred during the year was for the purpose of the Company's business; and

    iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat fund established under Section 7 of that Ordinance.

**KARACHI**

BDO Ebrahim & Co.

**BDO Ebrahim & Co.**
**CHARTERED ACCOUNTANTS**
Engagement Partner: Zulfikar Ali Causer

**DATED:** August 19, 2013

# Balance Sheet

As at June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 5 | **8,808,166** | 9,239,066 |
| Capital work in progress | 6 | **48,532** | 199,778 |
| | | **8,856,698** | 9,438,844 |
| Intangible assets | 7 | **11,403** | 23,038 |
| Long-term loans and advances | 8 | **4,501** | 2,774 |
| Long-term deposits | | **2,829** | 2,775 |
| | | **8,875,431** | 9,467,431 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 9 | **866,735** | 853,755 |
| Stock-in-trade | 10 | **2,015,766** | 1,672,327 |
| Trade debts | 11 | **1,184,771** | 1,046,176 |
| Loans and advances | 12 | **36,229** | 15,412 |
| Trade deposits and short-term prepayments | 13 | **11,841** | 3,339 |
| Other receivables | 14 | **11,059** | 143,593 |
| Tax refunds due from Government | | **48,016** | 19,689 |
| Taxation - net | 15 | **148,082** | 35,827 |
| Cash and bank balances | 16 | **77,161** | 204,424 |
| | | **4,399,660** | 3,994,542 |
| **TOTAL ASSETS** | | **13,275,091** | 13,461,973 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | | | |
| 410,000,000 (2012: 410,000,000) shares of Rs. 10 each | | **4,100,000** | 4,100,000 |
| Issued, subscribed and paid-up capital | | | |
| Ordinary shares | 17 | **1,060,252** | 706,834 |
| Preference shares | 18 | **2,102,832** | 3,004,046 |
| | | **3,163,084** | 3,710,880 |
| Reserves | 19 | **2,675,353** | 2,103,428 |
| | | **5,838,437** | 5,814,308 |
| **NON-CURRENT LIABILITIES** | | | |
| Subordinated loan | 20 | **-** | 1,000,000 |
| Long-term financing | 21 | **4,150,682** | 2,845,455 |
| Deferred taxation | 22 | **549,812** | 144,231 |
| | | **4,700,494** | 3,989,686 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 23 | **999,373** | 927,882 |
| Interest and mark-up accrued | 24 | **49,141** | 140,429 |
| Short-term borrowings | 25 | **1,413,555** | 1,625,123 |
| Current portion of long-term financing | 21 | **274,091** | 964,545 |
| | | **2,736,160** | 3,657,979 |
| **CONTINGENCIES AND COMMITMENTS** | 26 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **13,275,091** | 13,461,973 |

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Profit and Loss Account

for the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| Sales - net | 27 | **14,235,621** | 12,923,025 |
| Cost of sales | 28 | **(11,689,775)** | (10,810,486) |
| Gross profit | | **2,545,846** | 2,112,539 |
| General and administrative expenses | 29 | **(307,607)** | (274,904) |
| Selling and distribution expenses | 30 | **(113,076)** | (108,056) |
| Other operating charges | 31 | **(117,079)** | (118,999) |
| Other income | 32 | **90,752** | 89,931 |
| Operating profit | | **2,098,836** | 1,700,511 |
| Finance cost | 33 | **(692,907)** | (910,967) |
| Profit before taxation | | **1,405,929** | 789,544 |
| Taxation | 34 | **(477,763)** | (274,908) |
| Profit for the year | | **928,166** | 514,636 |
| Earnings per share - basic and diluted attributable to ordinary shareholders (Rupees) | | **6.09** | 1.40 |
| **Earnings per share - basic and diluted (Rupees)** | | | |
| Profit for the year | | **928,166** | 514,636 |
| Less: Dividend attributable to cumulative preference shares | | **(382,502)** | (390,526) |
| Profit attributable to ordinary shareholders | | **545,664** | 124,110 |
| Weighted average number of ordinary shares (in thousands) | | **89,640** | 88,790 |
| Earnings per share attributable to ordinary shareholders (Rupees) | 35 | **6.09** | 1.40 |

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Statement of Comprehensive Income

for the year ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| | ----(Rupees in thousands)---- | |
| Profit for the year | **928,166** | 514,636 |
| Other comprehensive income | **-** | - |
| Total comprehensive income for the year | **928,166** | 514,636 |

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Cash Flow Statement

for the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 38 | **2,744,051** | 3,145,054 |
| Finance cost paid | | **(784,195)** | (1,216,124) |
| Taxes paid - net | | **(212,764)** | (113,538) |
| Gratuity paid | | **(24,645)** | (22,402) |
| Workers' profit participation fund paid | | **(42,403)** | (39,457) |
| Long-term loans and advances - net | | **(1,727)** | 1,258 |
| Long-term deposits - net | | **(54)** | 50 |
| Net cash generated from operating activities | 39 | **1,678,263** | 1,754,841 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | **(310,676)** | (803,343) |
| Profit received on bank deposit accounts | | **188** | 94 |
| Proceeds from sale of operating fixed assets | | **5,794** | 5,702 |
| Net cash used in investing activities | | **(304,694)** | (797,547) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of right shares | | **416,701** | - |
| Redemption of preference shares | | **(901,214)** | - |
| Proceeds from long-term financing from banking companies | | **3,127,500** | 435,000 |
| Repayment of long-term financing from banking companies | | **(3,512,727)** | (850,000) |
| Proceeds from long-term financing from associated undertaking | | **1,000,000** | - |
| Repayment of long-term financing from sponsors | | **(1,000,000)** | - |
| Dividend paid on preference shares | | **(419,524)** | - |
| Net cash used in financing activities | | **(1,289,264)** | (415,000) |
| Net increase in cash and cash equivalents | | **84,305** | 542,294 |
| Cash and cash equivalents at the beginning of the year | | **(1,420,699)** | (1,962,993) |
| Cash and cash equivalents at the end of the year | | **(1,336,394)** | (1,420,699) |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 16 | **77,161** | 204,424 |
| Short-term borrowings | 25 | **(1,413,555)** | (1,625,123) |
| | | **(1,336,394)** | (1,420,699) |

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Statement of Changes in Equity

for the year ended June 30, 2013

| | Issued, subscribed and paid-up | | Reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital | | | | Revenue | | | | |
| | Ordinary share capital | Preference share capital | Share premium | Merger reserve | Redemption reserve | Total | General reserve | Unappropriated profit | Total | Sub total | Total |
| | (Rupees in thousands) | | | | | | | | | | |
| Balance as at July 01, 2011 | 706,834 | 3,004,046 | 984,652 | 7,925 | - | 992,577 | 1,232,750 | (636,535) | 596,215 | 1,588,792 | 5,299,672 |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 514,636 | 514,636 | 514,636 | 514,636 |
| **Balance as at June 30, 2012** | 706,834 | 3,004,046 | 984,652 | 7,925 | - | 992,577 | 1,232,750 | (121,899) | 1,110,851 | 2,103,428 | 5,814,308 |
| **Transactions with owners** | | | | | | | | | | | |
| 14,136,685 ordinary shares of Rs. 10/- each issued as fully paid bonus shares | 141,367 | - | (141,367) | - | - | (141,367) | - | - | - | (141,367) | - |
| Issue of 21,205,127 ordinary shares of Rs. 10/- each fully paid in cash | 212,051 | - | 212,051 | - | - | 212,051 | - | - | - | 212,051 | 424,102 |
| Share issue expenses | - | - | (7,401) | - | - | (7,401) | - | - | - | (7,401) | (7,401) |
| Redemption of preference shares | - | (901,214) | - | - | - | - | - | - | - | - | (901,214) |
| Dividend paid on preference shares | - | - | - | - | - | - | - | (419,524) | (419,524) | (419,524) | (419,524) |
| | 353,418 | (901,214) | 63,283 | - | - | 63,283 | - | (419,524) | (419,524) | (356,241) | (904,037) |
| Transfer to unappropriated profit | - | - | - | - | - | - | (919,524) | 919,524 | - | - | - |
| Transfer to redemption reserve | - | - | - | - | 480,647 | 480,647 | - | (480,647) | (480,647) | - | - |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 928,166 | 928,166 | 928,166 | 928,166 |
| **Balance as at June 30, 2013** | **1,060,252** | **2,102,832** | **1,047,935** | **7,925** | **480,647** | **1,536,507** | **313,226** | **825,620** | **1,138,846** | **2,675,353** | **5,838,437** |

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Notes to the Financial Statements

for the year ended June 30, 2013

## 1. STATUS AND NATURE OF BUSINESS

Century Paper & Board Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on August 2, 1984 under the Companies Ordinance, 1984 and its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The Company is engaged in manufacturing and marketing of paper, board and related products.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and of the said directives have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for recognition of certain staff retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.26.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

**3.1** The following standards, amendments and interpretations of approved accounting standards became effective during the year, however, these standards are either not relevant or do not have a significant impact on the Company's financial statements:

IAS 1 Presentation of Financial Statements
IAS 12 Income Taxes

**3.2** The following standards, amendments and interpretations of approved accounting standards are not yet effective but relevant and have not been early adopted by the Company.

IAS 19 'Employee benefits' (amended 2011) (is effective for the periods beginning on or after January 01, 2013). This amendment eliminates the corridor approach and requires all actuarial gains and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

This change would affect the recognized amounts of actuarial gain / loss and net defined benefit liability / assets for the accounting period as prescribed above amounting to Rs. 29.305 million in other comprehensive income in the period of initial application.

IAS 16 Property, Plant and Equipment (is effective for the period beginning on or after January 01, 2013). This IAS is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of Property, Plant and Equipment is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 'Inventories'. The amendments have no impact on financial statements of the Company.

IFRS 9 "Financial Instruments - classification and measurement" (is effective for the period beginning on or after January 01, 2015). This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The amendments have no impact on financial statements of the Company.

IFRS 13 - 'Fair value measurement' (is effective for the period beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendments have no impact on financial statements of the Company.

**3.3** The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation. However, these are not relevant to the Company.

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IAS 27 | Separate Financial Statements | January 01, 2013 |
| IAS 28 | Investments in Associates and Joint Ventures | January 01, 2013 |
| IAS 32 | Financial Instruments: Presentation | January 01, 2014 |
| IAS 34 | Interim Financial Reporting | January 01, 2013 |
| IFRS 1 | First time Adoption of International Financial Reporting Standards | January 01, 2013 |
| IFRS 7 | Financial Instruments: Disclosures | January 01, 2013 |
| IFRS 10 | Consolidated Financial Statements | January 01, 2013 |
| IFRS 11 | Joint Arrangements | January 01, 2013 |
| IFRS 12 | Disclosure of Interest in Other Entities | January 01, 2013 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | January 01, 2013 |
| IFRIC 21 | Levies | January 01, 2014 |

## 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 4.1 Property, plant and equipment

### a) Operating fixed assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs (refer note 4.10). The cost of self constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account during the financial year in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Plant and machinery includes spare parts of capital nature which can only be used in connection with an item of property, plant and equipment (refer note 4.4).

Depreciation on operating fixed assets is provided on a straight line basis. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 5, are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

The assets' residual values and useful lives are reviewed and if significant, adjusted at each balance sheet date.

Disposal of assets is recognized when significant risks and rewards incidental to the ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss account.

**b) Capital work-in-progress**

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

**4.2 Intangible assets**

These are stated at cost less accumulated amortization and impairment losses, if any. Major computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software.

Expenditure which enhances the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Amortization is provided on a straight line basis at the rates disclosed in note 7 to the financial statements. Amortization on addition to intangible assets is charged from the month of addition while no amortization is charged for the month of disposal or deletion of assets.

Costs associated with maintaining computer softwares are recognized as an expense as and when incurred.

**4.3 Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

### 4.4 Stores and spares

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

### 4.5 Stock-in-trade

Stock-in-trade, except for stock-in-transit, are valued at the lower of cost and net realizable value. Cost of raw material is determined by using the monthly weighted average method.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.

Work-in-process and finished goods consist of the direct materials costs, fuel and power cost and an appropriate proportion of manufacturing overheads including labour cost, depreciation and maintenance etc.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

### 4.6 Trade debts

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

### 4.7 Other receivables

Other receivables are recognized at fair value of the consideration to be received in future.

### 4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also recognized in other comprehensive income or directly in equity respectively.

**a) Current**

Current tax is the expected tax payable on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date after taking into account tax credits and tax rebates. It also includes prior year tax adjustments, if any.

**b) Deferred**

Deferred tax is accounted for using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years to utilize deductible temporary differences, unused tax losses and tax credits.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted up to the balance sheet date and are expected to apply to the periods when the differences reverse. Deferred tax for the year is charged or credited to the profit and loss account.

**c)** The Company takes into account the current income tax laws and decisions taken by the taxation authorities. For instances where the Company's view differs from the income tax department at the assessment stage, the disputed amounts are shown as contingent liabilities.

### 4.9 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

### 4.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on an accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short-term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long-term finances and short-term borrowings which are specifically obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to profit and loss account in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 “Borrowing Cost”.

### 4.11 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

# Notes to the Financial Statements

for the year ended June 30, 2013

## 4.12 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that obligation can be measured reliably. Provisions are determined by discounting future cash flows at appropriate discount rates wherever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

## 4.13 Financial instruments

### 4.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company are carried as loans and receivables.

**- Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

### 4.13.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognized in the profit and loss account.

## 4.14 Offsetting of financial assets and financial liabilities

Financial asset and financial liability are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

**4.15 Derivative financial instruments**

The Company enters into derivative financial instruments. The derivatives that do not qualify for hedge accounting are recognized in the balance sheet at fair value with corresponding effect in profit and loss account.

**4.16 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are recognized in the profit and loss account.

**4.17 Staff retirement benefits**

**a) Defined benefit plan**

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2013 using the Project Unit Credit Method (refer note 36). Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amounts determined as per above said criteria are recognized over the expected average remaining working lives of the employees participating in the plan. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

**b) Defined contribution plan**

The Company contributes to an approved defined contributory provident fund scheme for all its permanent employees. Equal monthly contributions, both by the Company and the employees are made to the fund, at the rate of 10% of the basic salary plus cost of living allowance. Obligation for contributions to defined contribution plan by the Company is recognized as an expense in the profit and loss account.

**4.18 Compensated absences**

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the balance sheet date.

**4.19 Revenue recognition**

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax and sales discounts, if any.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

- Sales of goods are recorded when the risks and rewards are transferred, that is, on dispatch of goods to customers.

- Scrap sales are recognized on delivery to customers at realized amounts.

- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.

- Commission on insurance premium is recognized on accrual basis.

### 4.20 Cash and cash equivalents

Cash and cash equivalents comprise of cash, cheques in hand and balances with banks. Short-term borrowing facilities which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

### 4.21 Share capital

Share capital is classified as equity and recognized at the face value. Incidental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

### 4.22 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.23 Dividend and appropriation to reserves

Dividend and appropriations to reserves are recognized in the financial statements in the period in which these are approved.

### 4.24 Related party transactions

Transactions with related parties are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

### 4.25 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

# Notes to the Financial Statements

for the year ended June 30, 2013

### 4.26 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan and Defined Contribution Plan (refer note 4.17 and note 36) that have the most significant effects on the amount recognized in the financial statements.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

#### a) Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.8 of these financial statements.

#### b) Defined benefits plan

Certain actuarial assumptions have been adopted as disclosed in note 36 of these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

#### c) Property, plant and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

#### d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

# Notes to the Financial Statements

for the year ended June 30, 2013

## 5. OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

| Description | Freehold land | Buildings on freehold land | Leasehold improvements | Plant and machinery (note 5.2) | Furniture and fixtures | Vehicles | Electrical & other equipments | Computers | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | -----------(Rupees in thousands)----------- | | | | | |
| **Year ended June 30, 2013** | | | | | | | | | |
| **Net carrying value basis** | | | | | | | | | |
| Opening net book value (NBV) | 278,390 | 1,286,150 | - | 7,598,245 | 5,872 | 46,211 | 11,537 | 12,661 | 9,239,066 |
| Additions (at cost) | - | 13,028 | - | 418,954 | 87 | 25,886 | 5,752 | 5,704 | 469,411 |
| Disposals (NBV) | - | - | - | (239) | - | (4,003) | - | - | (4,242) |
| Depreciation charge | - | (46,028) | - | (824,454) | (1,107) | (10,267) | (5,508) | (8,705) | (896,069) |
| **Closing net book value (Refer note 5.1)** | **278,390** | **1,253,150** | **-** | **7,192,506** | **4,852** | **57,827** | **11,781** | **9,660** | **8,808,166** |
| **Gross carrying value basis** | | | | | | | | | |
| Cost | 278,390 | 1,547,727 | 6,995 | 12,565,304 | 17,474 | 92,964 | 44,724 | 65,384 | 14,618,962 |
| Accumulated depreciation / impairment | - | (294,577) | (6,995) | (5,372,798) | (12,622) | (35,137) | (32,943) | (55,724) | (5,810,796) |
| **Net book value** | **278,390** | **1,253,150** | **-** | **7,192,506** | **4,852** | **57,827** | **11,781** | **9,660** | **8,808,166** |
| **Year ended June 30, 2012** | | | | | | | | | |
| **Net carrying value basis** | | | | | | | | | |
| Opening net book value (NBV) | 278,390 | 1,285,842 | - | 7,720,773 | 5,258 | 44,597 | 14,566 | 15,809 | 9,365,235 |
| Additions (at cost) | - | 42,051 | - | 577,379 | 1,882 | 14,597 | 2,555 | 6,111 | 644,575 |
| Disposals (NBV) | - | - | - | (217) | - | (3,100) | (22) | - | (3,339) |
| Depreciation charge | - | (41,743) | - | (699,690) | (1,268) | (9,883) | (5,562) | (9,259) | (767,405) |
| **Closing net book value (Refer note 5.1)** | 278,390 | 1,286,150 | - | 7,598,245 | 5,872 | 46,211 | 11,537 | 12,661 | 9,239,066 |
| **Gross carrying value basis** | | | | | | | | | |
| Cost | 278,390 | 1,534,699 | 6,995 | 12,161,355 | 17,387 | 77,225 | 39,051 | 69,806 | 14,184,908 |
| Accumulated depreciation / impairment | - | (248,549) | (6,995) | (4,563,110) | (11,515) | (31,014) | (27,514) | (57,145) | (4,945,842) |
| **Net book value** | 278,390 | 1,286,150 | - | 7,598,245 | 5,872 | 46,211 | 11,537 | 12,661 | 9,239,066 |
| **Depreciation rate % per annum** | - | 2.5 to 10 | 20 | 5 to 20 | 10 to 20 | 20 | 10 to 33 | 20 to 33 | |

**5.1** The cost of fully depreciated assets which are still in use as at June 30, 2013 amounts to Rs. 1,834 million and written down value amounts to Rs. 3.81 million (2012: Rs. 1,567 million and written down value amounted to Rs. 2.11 million).

**5.2** Plant and machinery includes gas pipeline installations with a cost of Rs. 16.87 million (written down value: Nil) [2012: Rs. 16.87 million (written down value: Nil)] which have been installed outside the premises of the factory and which are under the possession and control of the Sui Northern Gas Pipe Line Limited. However, the economic benefits associated with these assets are flowing to the Company.

**5.3** Plant and machinery includes capital spares amounting to Rs. 160.37 million (written down value Rs. 101.68 million) [2012: Rs. 160.37 million (written down value Rs. 109.14 million)].

**5.4** During the year, borrowing cost amounting to Rs. 2.217 million (2012: Rs. 9.201 million) has been capitalized on qualifying assets.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **5.5** The depreciation charge for the year has been allocated as follows: | | | |
| Cost of sales | 28 | **873,884** | 745,948 |
| General and administrative expenses | 29 | **20,990** | 20,358 |
| Selling and distribution expenses | 30 | **1,195** | 1,099 |
| | | **896,069** | 767,405 |

**5.6** The following operating fixed assets were disposed off during the year:

| Description | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal (Note 5.6.1& 5.6.2) | Particulars of buyers |
|---|---|---|---|---|---|---|
| | ---- (Rupees in thousands)---- | | | | | |
| **Plant and machinery** | | | | | | |
| Disperger plant | 2,859 | 2,621 | 238 | - | Scrap | Various |
| Items having book value up to Rs. fifty thousand | 12,146 | 12,145 | 1 | - | Scrap | Various |
| | 15,005 | 14,766 | 239 | - | - | |
| **Vehicle** | | | | | | |
| Toyota Corolla GLI | 1,574 | 165 | 1,409 | 1,428 | Sale (Employee) | Mr. Muhammad Ayaz Khursid (Ex-employee) |
| Toyota Corolla GLI | 1,014 | 710 | 304 | 409 | Sale (Employee) | Mr. Chaudhry Khalid Hayat |
| Toyota Corolla GLI | 980 | 686 | 294 | 321 | Sale (Employee) | Mr. Jahanzeb Ali Akhtar |
| Honda City | 857 | 600 | 257 | 482 | Sale (Employee) | Mr. Masood Iqbal Qureshi |
| Suzuki Cultus | 712 | 498 | 214 | 451 | Sale (Employee) | Mr. Kamran Zamir Sheikh |
| Suzuki Cultus | 620 | 434 | 186 | 243 | Sale (Employee) | Mr. Muhammad Jawaid |
| Suzuki Cultus | 620 | 434 | 186 | 243 | Sale (Employee) | Mr. Shahid Waseem |
| Suzuki Cultus | 617 | 432 | 185 | 235 | Sale (Employee) | Mr. Gobind Ram |
| Suzuki Cultus | 617 | 432 | 185 | 378 | Sale (Employee) | Mr. Asif Mahmood |
| Suzuki Alto | 513 | 359 | 154 | 259 | Sale (Employee) | Mr. Syed Mazhar Hashmi |
| Suzuki Alto | 508 | 356 | 152 | 267 | Sale (Employee) | Mr. Syed Jurrat Saqlain |
| Suzuki Mehran | 398 | 279 | 119 | 155 | Sale (Employee) | Mr. Safdar Ali |
| Suzuki Mehran | 394 | 275 | 119 | 149 | Sale (Employee) | Mr. M.Ghazanfar Hasan Madni |
| Suzuki Mehran | 368 | 258 | 110 | 124 | Sale (Employee) | Mr. Muhammed Taufiq |
| Items having book value up to Rs. fifty thousand | 355 | 226 | 129 | 641 | Various | Various |
| | 10,147 | 6,144 | 4,003 | 5,785 | | |
| **Electrical and other equipment** | | | | | | |
| Items having book value up to Rs. fifty thousand | 79 | 79 | - | - | Scrap | Various |
| **Computers** | | | | | | |
| Items having book value up to Rs. fifty thousand | 10,126 | 10,126 | - | 9 | Scrap | Various |
| **Total - 2013** | 35,357 | 31,115 | 4,242 | 5,794 | | |
| **Total - 2012** | 35,454 | 32,115 | 3,339 | 5,702 | | |

**5.6.1** Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

**5.6.2** The vehicles were sold to employees under the Company car scheme.

# Notes to the Financial Statements

for the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **6. CAPITAL WORK-IN-PROGRESS** | | | |
| This comprises of: | | | |
| Civil works | | **527** | 1,705 |
| Plant and machinery | | **40,046** | 194,762 |
| Advances to suppliers | | **7,959** | 3,311 |
| | | **48,532** | 199,778 |

**6.1 Movement of carrying amount**

| | Building | Plant and machinery | Total |
|---|---|---|---|
| | ----(Rupees in thousands)---- | | |
| **Year end June 30, 2013** | | | |
| Opening balance | 1,705 | 198,073 | 199,778 |
| Additions (at cost) | 11,649 | 268,864 | 280,513 |
| Transferred to operating fixed assets | (12,827) | (418,932) | (431,759) |
| **Closing balance** | **527** | **48,005** | **48,532** |
| **Year end June 30, 2012** | | | |
| Opening balance | 1,939 | 17,259 | 19,198 |
| Additions (at cost) | 41,816 | 745,660 | 787,476 |
| Transferred to operating fixed assets | (42,050) | (564,846) | (606,896) |
| **Closing balance** | 1,705 | 198,073 | 199,778 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **7. INTANGIBLE ASSETS** | | | |
| Computer softwares | | **1,973** | 3,320 |
| ERP Accounting Software | | **9,430** | 19,718 |
| | 7.1 | **11,403** | 23,038 |
| **7.1 Net carrying value basis** | | | |
| Opening net book value | | **23,038** | 31,286 |
| Additions (at cost) | | **40** | 2,992 |
| Amortization charge | 29 | **(11,675)** | (11,240) |
| Closing net book value | | **11,403** | 23,038 |
| **Gross carrying value basis** | | | |
| Cost | | **57,024** | 56,984 |
| Accumulated amortization | | **(45,621)** | (33,946) |
| Net book value | | **11,403** | 23,038 |
| **Amortization rate % per annum** | | **20 – 33.33** | 20 – 33.33 |

# Notes to the Financial Statements

for the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **8. LONG-TERM LOANS AND ADVANCES** | | | |
| (Unsecured - considered good) | | | |
| Long-term loans | 8.1 | **3,491** | 2,774 |
| Long-term advance to supplier | | **1,010** | - |
| | 8.3 | **4,501** | 2,774 |
| **8.1 Long-term loans** | | | |
| Due from employees | 8.4 | **5,371** | 4,155 |
| Current portion shown under current assets | 12 | **(1,880)** | (1,381) |
| | | **3,491** | 2,774 |
| **8.2 Outstanding period is as under:** | | | |
| More than one year but less than three years | | **1,972** | 2,718 |
| More than three years | | **1,519** | 56 |
| | | **3,491** | 2,774 |

**8.3** Chief Executive Officer and Directors have not taken any loans and advances from the Company.

**8.4** These loans are granted to employees of the Company principally for purchase of motor vehicles which do not carry mark-up, in accordance with their terms of employment.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **9. STORES AND SPARES** | | | |
| Stores | 9.1 | **186,864** | 180,307 |
| Spares | | | |
| in hand | | **683,984** | 672,802 |
| in transit | | **25,213** | 29,382 |
| | | **709,197** | 702,184 |
| | | **896,061** | 882,491 |
| Provision for slow moving stores and spares | 9.2 | **(29,326)** | (28,736) |
| | 9.3 | **866,735** | 853,755 |

**9.1** This includes fuel for power and steam generation amounting to Rs. 28.91 million (2012: Rs. 21.69 million).

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **9.2** Provision for slow moving stores and spares comprises: | | | |
| Balance at the beginning of the year | | **28,736** | 26,469 |
| Recognized during the year | 28 | **4,800** | 4,800 |
| Written off during the year | | **(4,210)** | (2,533) |
| Balance at the end of the year | | **29,326** | 28,736 |

# Notes to the Financial Statements

for the year ended June 30, 2013

**9.3** Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **10. STOCK-IN-TRADE** | | | |
| Raw materials | | | |
| in hand | | **1,448,977** | 1,111,627 |
| in transit | | **385,940** | 358,730 |
| | | **1,834,917** | 1,470,357 |
| Work-in-process | | **114,192** | 161,370 |
| Finished goods | | **66,657** | 40,600 |
| | | **2,015,766** | 1,672,327 |
| **11 TRADE DEBTS** | | | |
| (Unsecured - considered good) | | | |
| Due from associated undertakings | 11.1 | **117,461** | 131,441 |
| Others | | **1,067,310** | 914,735 |
| | | **1,184,771** | 1,046,176 |
| **11.1** This comprises of amounts receivable from: | | | |
| Merit Packaging Limited | | **74,222** | 96,077 |
| Colgate-Palmolive (Pakistan) Limited | | **42,975** | 34,736 |
| Tetley Clover (Private) Limited | | **264** | 628 |
| | | **117,461** | 131,441 |

| | 2013 | 2012 |
|---|---|---|
| | ----(Rupees in thousands)---- | |
| **11.2** The aging of related party balances at the balance sheet date is as follows: | | |
| Not past due | **57,024** | 131,441 |
| Past due by 1 - 15 days | **47,676** | - |
| Past due by 16 - 30 days | **12,761** | - |
| | **117,461** | 131,441 |

**11.3** The maximum amount due from related parties at the end of any month during the year was Rs. 169.35 million (2012: Rs. 183.78 million).

# Notes to the Financial Statements

for the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **12. LOANS AND ADVANCES** | | | |
| (Unsecured - considered good) | | | |
| Loans | | | |
| Current portion of long-term loans | | | |
| Due from employees | 8.1 | **1,880** | 1,381 |
| Advances | | | |
| to employees | 12.1 | **1,080** | 438 |
| to suppliers | | **33,269** | 13,593 |
| | | **34,349** | 14,031 |
| | 12.2 | **36,229** | 15,412 |

**12.1** This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred.

**12.2** Chief Executive Officer and Directors have not taken any loans and advances from the Company.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS** | | | |
| Deposits | | **200** | 355 |
| Prepayments | | **11,641** | 2,984 |
| | | **11,841** | 3,339 |
| **14. OTHER RECEIVABLES** | | | |
| (Unsecured - considered good) | | | |
| Due from associated undertakings | | | |
| Insurance agency commission | | **459** | 858 |
| Insurance claim receivable | 14.1 | **-** | 132,374 |
| Others | | **1,090** | - |
| | 14.2 | **1,549** | 133,232 |
| Others | | **9,510** | 10,361 |
| | | **11,059** | 143,593 |

**14.1** During the year insurance claim has been received from insurance company against fire loss (refer note 31.1).

| | 2013 | 2012 |
|---|---|---|
| | ----(Rupees in thousands)---- | |
| **14.2** This comprises of amounts receivable from: | | |
| Century Insurance Company Limited | **805** | 133,232 |
| Colgate-Palmolive (Pakistan) Limited | **744** | - |
| | **1,549** | 133,232 |

## 15. TAXATION - NET

The income tax assessments of the Company have been finalized up to tax year 2011 (accounting year ended June 30, 2011). Return for the tax year 2012 has been duly filed and Additional Commissioner Inland Revenue has issued notice under Section 122(9) / 122(5A) for amendment of assessment on the basis of certain issues. A reply to the above notice has been duly submitted and the amended proceedings are under progress. Adequate provisions have been made in these financial statements for the year ended June 30, 2013 (tax year 2013).

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |

## 16. CASH AND BANK BALANCES

| | | 2013 | 2012 |
|---|---|---|---|
| At banks | | | |
| In current accounts | | **71,934** | 12,538 |
| In hand | | | |
| cheques | | **-** | 187,328 |
| cash | | **5,227** | 4,558 |
| | | **77,161** | 204,424 |

## 17. ORDINARY SHARES

| Number of ordinary shares of Rs. 10/- each 2013 | 2012 | | Note | 2013 | 2012 |
|---|---|---|---|---|---|
| **77,678,857** | 56,473,830 | Fully paid in cash | 17.1 | **776,790** | 564,738 |
| **27,638,731** | 13,502,046 | Issued as fully paid bonus shares | 17.2 | **276,387** | 135,021 |
| **105,317,588** | 69,975,876 | | | **1,053,177** | 699,759 |
| **707,550** | 707,550 | Issued under scheme of amalgamation | | **7,075** | 7,075 |
| **106,025,138** | 70,683,426 | | | **1,060,252** | 706,834 |
| **65,337,644** | 43,118,360 | Shares held by associated companies | | **653,376** | 431,184 |

**17.1** During the year, the Company issued 21,205,027 ordinary shares by way of 25% right issue (i.e. one share for every four shares held) at Rs. 20 including premium of Rs. 10 per share.

**17.2** During the year, the Company issued 14,136,685 ordinary shares as fully paid bonus shares by announcing 20% bonus issue (i.e. one bonus share for every five shares held), by appropriating the share premium account.

| Number of ordinary shares of Rs. 10/- each 2013 | 2012 | | Note | 2013 | 2012 |
|---|---|---|---|---|---|
| | | | | ----(Rupees in thousands)---- | |
| | | **18. PREFERENCE SHARES** | | | |
| **300,404,561** | 300,404,561 | Fully paid in cash | | **3,004,046** | 3,004,046 |
| **(90,121,386)** | - | Redeemed during the year | | **(901,214)** | - |
| **210,283,175** | 300,404,561 | | | **2,102,832** | 3,004,046 |
| **209,228,512** | 298,915,541 | Shares held by associated companies | | **2,092,285** | 2,989,155 |

**18.1** In November 2009, the Company issued preference right shares of the face value of Rs. 10 each, in the proportion of 4.25 preference shares for every ordinary share held. These shares are not listed on any of the stock exchanges in Pakistan.

During the year, the Company has redeemed preference shares amounting to Rs. 901.21 million. Preference shares amounting to Rs. 480.06 million and Rs. 420.92 million were redeemed through cash and through the proceeds of right issue respectively.

**18.2** During the year, the shareholders (preference and ordinary) of the Company approved certain changes in rights and privileges and terms and conditions of preference share primarily relating to rate of preferential cumulative dividend and Company's option to convert preference shares into ordinary shares upto 25% of total issue. These changes were also approved by SECP through their letter No. EMB/233/521/2002-2963 dated May 13, 2013. These changes are duly reflected in note 18.2 to 18.6 which is effective from July 01, 2013.

**18.3** Annual dividends will be payable at 13% per annum on the face value of such preference shares, when and if declared by the Company but shall be paid on cumulative basis prior to any dividend or other distribution payable to the ordinary shareholders. The cumulative dividend as at the balance sheet date amounted to Rs. 997.60 million (2012: Rs. 1,034.63 million).

The Company has paid cumulative preference dividend in arrear amounting to Rs. 419.52 million on prorata basis upto the date of redemption on the preference shares redeemed.

As per amended terms, with effect from July 01, 2013, the dividend rate will be based on six months KIBOR plus spread of 1% per annum subject to cap of 13% per annum on the face value of the preference shares on cumulative basis.

**18.4** The preference shareholders do not have any voting rights and are not entitled to receive any notice for meeting of shareholders and will not be entitled to any rights in respect of subscription of further issue of ordinary shares of the Company.

**18.5** With effect from July 01, 2013, the Company shall have the option to redeem the preference shares in full or in any proportion by giving fourteen days notice provided that the Company may redeem the preference shares from the holders having less than 5% holding as a first preference.

The redemption will be subject to the payment of cumulative unpaid dividend, if any, on the part being redeemed up to the applicable date of redemption notice. The redemption will be subject to compliance with the provisions of Section 85 of the Companies Ordinance, 1984.

**18.6** With effect from July 01, 2013, the Company has a right to convert the preference shares upto 25% of total issue into ordinary shares by giving fourteen days notice. The conversion of the preference shares will be based on the conversion ratio A/B, where:

A= Rs. 10 (face value of preference share) plus any cumulative unpaid dividend on preference shares being converted up to the applicable date of conversion notice.

B= The higher of (a) par value of ordinary shares i.e. Rupees 10, or (b) an amount representing the previous twelve months trading days' average price of the Company's ordinary shares (adjusted for any bonus or right shares issue) during the previous twelve months quoted in the daily quotation of the Karachi Stock Exchange (KSE) up to the applicable date of conversion notice.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **19. RESERVES** | | | |
| Capital | | | |
| Share premium | 19.1 | **1,047,935** | 984,652 |
| Capital redemption reserve | 19.2 | **480,647** | - |
| Merger reserve | 19.3 | **7,925** | 7,925 |
| | | **1,536,507** | 992,577 |
| Revenue | | | |
| General reserve | 19.4 | **313,226** | 1,232,750 |
| Un-appropriated profit / (Accumulated loss) | | **825,620** | (121,899) |
| | | **1,138,846** | 1,110,851 |
| | | **2,675,353** | 2,103,428 |

**19.1** This includes an amount of Rs. 212.05 million being premium on right shares issued during the year. This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

**19.2** This represents reserve created for redemption of preference shares through cash to comply with Section 85(c) of the Companies Ordinance, 1984 (refer note 18.1).

**19.3** This represents amount arising under scheme of arrangement for amalgamation of former Century Power Generation Limited, a subsidiary, with the Company.

**19.4** The Company transferred Rs. 919.52 million from General Reserve to Un-appropriated Profit in order to distribute cumulative preference dividend and redeem cumulative preference shares.

**19.5** Movement of reserves have been reflected in the statement of changes in equity.

# Notes to the Financial Statements

for the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | |
| **20.** | **SUBORDINATED LOAN - UNSECURED** | | | |
| | From Sponsors of the Company | 20.1 | **-** | 1,000,000 |

**20.1** This loan was released from subordination agreement and was repaid during the year.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | |
| **21.** | **LONG-TERM FINANCING** | | | |
| | From banking companies - secured | | | |
| | Utilized under mark-up arrangements | | | |
| | Financed by: | | | |
| | Islamic Sukuk Certificates | 21.1 | **-** | 1,750,000 |
| | Consortium of Banks (Syndicated) | 21.2 | **-** | 1,625,000 |
| | Consortium of Banks - Musharaka | 21.3 | **1,500,000** | - |
| | Term Loans | | | |
| | Allied Bank Limited | 21.4 | **1,500,000** | - |
| | Faysal Bank Limited | 21.5 | **135,000** | 180,000 |
| | Bank Alfalah Limited | 21.6 | **289,773** | 255,000 |
| | | | **1,924,773** | 435,000 |
| | | | **3,424,773** | 3,810,000 |
| | From associated undertaking - Unsecured | 21.7 | **1,000,000** | - |
| | | | **4,424,773** | 3,810,000 |
| | Less: Current portion shown under current liabilities | | **(274,091)** | (964,545) |
| | | | **4,150,682** | 2,845,455 |

**21.1** During the year, the Company exercised its early call option to purchase outstanding sukuk units by utilizing the proceeds of new term loan as referred to in note 21.4. The effective mark-up rate during the year was 12.32% (2012: 14.51%).

**21.2** During the year, the Company exercised prepayment option and fully paid the loan and refinanced it with a new loan of Rs. 1,500 million under Islamic Mode of Finance as a Musharaka as referred to in note 21.3. The effective mark-up rate during the year was 12.36% (2012: 14.61%).

**21.3** The Company has entered into Diminishing Musharaka Arrangement with a Consortium of Meezan Bank Limited and Al Baraka Bank (Pakistan) Limited amounting to Rs. 1,500 million. The proceeds are used to partially settle Syndicated Term Loan as referred to in note 21.2 and partially for redemption of preference shares. The tenor of the facility is six years with one year grace period. This finance facility is repayable in twenty equal quarterly installments commencing from August 2014.

The finance facility is secured by way of mortgage of immovable properties of the Company and pari passu hypothecation charge over the assets pertaining to Board Machine (PM-7) with 25% margin.

The rate of mark-up is equal to base rate plus 0.9%. Base rate is equal to three months KIBOR of the last one business day prior to the beginning of each installment period. During the year the effective mark-up rate was 10.44%.

**21.4** This term finance facility has been obtained from Allied Bank Limited amounting to Rs. 1,500 million to redeem the Islamic Sukuk Certificates (note 21.1). The tenor of the facility is six years with twelve months grace period. This finance facility is repayable in twenty equal quarterly installments commencing from June 2014.

The finance facility is secured by way of mortgage of immovable properties of the Company and pari passu hypothecation charge over the assets pertaining to Board Machine (PM-7) with 25% margin.

The rate of mark-up is equal to base rate plus 0.9%. Base rate is equal to average of three months KIBOR of the last six business days prior to the beginning of each installment period. During the year, the effective mark-up rate was 10.38%.

**21.5** This term finance facility has been obtained from Faysal Bank Limited amounting to Rs. 180 million specifically for New Box Making Machine and Coal Fired Boiler. The tenor of the facility is four years with twelve months grace period. The finance facility is repayable in twelve equal quarterly installments which commenced from December 2012.

The finance facility is secured by way of exclusive charge on New Box Making Machine and Coal Fired Boiler with 25% margin.

The rate of mark-up is 1.50% over three months KIBOR of last day of preceding quarter. During the year, the effective mark-up rate was 11.79% (2012: 13.87%) per annum.

**21.6** These term finance loans have been obtained from Bank Alfalah Limited (Islamic Banking) amounting to Rs. 382.50 million specifically for refurbishment of Gas Turbine Generators. The tenor of the facility is three years and these are repayable in eleven equal quarterly installments from the respective dates of drawdown of these loans.

These finance facilities are secured by way of exclusive charge on respective Gas Turbine Generators with 20% margin.

The rate of mark-up is 1.25% over three months KIBOR of last day of preceding quarter. During the year, the effective mark-up rate was 11.32% (2012: 13.17%) per annum.

**21.7** This loan has been obtained from SIZA Commodities (Private) Limited, an associated undertaking, amounting to Rs. 1,000 million. The loan is repayable after two years from the date of agreement.

The rate of mark-up is 0.9% over average of three months KIBOR of the last five days of preceding quarter. During the year, the effective mark-up rate was 10.41% per annum.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | |
| **22** | **DEFERRED TAXATION** | | | |
| | Deferred taxation | 22.1 | **549,812** | 144,231 |

**22.1** The net balance for deferred taxation is in respect of following temporary differences:

| | 2013 | 2012 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Accelerated tax depreciation allowance | **1,881,920** | 1,996,717 |
| **Deferred tax assets** | | |
| Tax losses carried forward | **1,078,522** | 1,669,886 |
| Turnover tax | **242,923** | 171,745 |
| Provision for slow moving stores and spares | **9,971** | 10,058 |
| Others | **692** | 797 |
| | **(1,332,108)** | (1,852,486) |
| | **549,812** | 144,231 |

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **23** | **TRADE AND OTHER PAYABLES** | | | |
| | Creditors | 23.1 | **292,536** | 369,370 |
| | Foreign bills payable | | **257,984** | 170,029 |
| | Accrued liabilities | | **201,231** | 177,721 |
| | Sales tax payable - net | | **56,991** | 71,415 |
| | Customers' balances | | **35,491** | 48,771 |
| | Provident fund payable | | **4,431** | 4,005 |
| | Gratuity payable | 36.4 | **2,034** | 2,276 |
| | Workers' profit participation fund | 23.2 | **75,507** | 42,403 |
| | Workers' welfare fund | | **44,805** | 16,113 |
| | Unclaimed dividend | | **735** | 735 |
| | Security deposits | | **4,100** | 3,950 |
| | Other liabilities | | **23,528** | 21,094 |
| | | | **999,373** | 927,882 |

**23.1** The aggregate amount of the outstanding balance of associated undertakings as at June 30, 2013 is Rs. 0.98 million (2012: Rs. 6.09 million).

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | |
| **23.2** | **Workers' profit participation fund** | | | |
| | Balance at July 01 | | **42,403** | 39,457 |
| | Interest on funds utilized in Company's business | 33 | **3,587** | 2,367 |
| | Allocation for the year | 31 | **75,507** | 42,403 |
| | | | **121,497** | 84,227 |
| | Amount paid during the year | | **(45,990)** | (41,824) |
| | Balance at June 30 | | **75,507** | 42,403 |

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | |
| **24.** | **INTEREST AND MARK-UP ACCRUED** | | | |
| | Interest and mark-up accrued on: | | | |
| | Long-term financing | | **28,357** | 124,001 |
| | Short-term borrowings | | **20,784** | 16,428 |
| | | | **49,141** | 140,429 |
| **25.** | **SHORT-TERM BORROWINGS** | | | |
| | From Sponsors - unsecured | 25.1 | **-** | 300,000 |
| | From banking companies - secured | | | |
| | Running finances | 25.2 | **1,413,555** | 1,083,459 |
| | Import credit finances | 25.3 | **-** | 241,664 |
| | | 25.4 | **1,413,555** | 1,325,123 |
| | | | **1,413,555** | 1,625,123 |

**25.1** This short-term finance from Sponsors of the Company has been fully repaid during the year.

**25.2** The Company has available aggregate short-term running finance facilities amounting to Rs. 2,535 million (2012: Rs. 2,560 million). Mark-up rates are linked with KIBOR from one to three months plus spreads ranging from 0.70% to 1.50% per annum (2012: from 0.70% to 1.50% per annum).

**25.3** The Company has available aggregate sub-limits for FE loans under facilities for running finance and letters of credit amounting to Rs. 2,830 million (2012: Rs. 2,830 million). This facility is priced at one month and three months LIBOR plus spread ranging between 2.00% to 3.00% per annum (2012: from 2.50% to 3.50% per annum).

**25.4** Above arrangements are secured by way of pari passu hypothecation charge created on stock-in-trade, stores and spares and trade debts of the Company.

**25.5** Additionally, facilities for opening of letters of credit and guarantees amounting to Rs. 3,981 million (2012: Rs. 3,714 million) are available to the Company.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

#### a) Guarantees

Guarantees have been issued by banks on behalf of the Company in the normal course of business aggregating to Rs. 355 million (2012: Rs. 355 million).

#### b) Sales tax

The Commissioner Inland Revenue (Appeals) has adjudicated an amount of Rs. 34.43 million as inadmissible input tax adjustment. The Company has filed the appeal against the orders in the Tax Appellate Tribunal. The Commissioner Inland Revenue has also passed an order for an amount of Rs. 5.24 million against which an appeal has been filed before Commissioner Inland Revenue (Appeals). The Company expects a favorable outcome, therefore no provision has been made for this liability in these financial statements.

**26.2 Commitments**

The Company's commitments as at balance sheet date are as follows:

a) Letters of credit other than for capital expenditure at the end of the year amounted to Rs. 348.19 million (2012: Rs. 585.96 million).

b) Capital expenditure including letters of credit amounting to Rs. 11.86 million (2012: Rs. 16.40 million).

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **27. SALES** | | | |
| Gross sales | | **16,512,551** | 14,980,408 |
| Sales tax | | **(2,276,930)** | (2,057,383) |
| | | **14,235,621** | 12,923,025 |
| **28. COST OF SALES** | | | |
| Materials consumed | | **7,677,194** | 7,248,301 |
| Fuel and power | | **1,677,012** | 1,341,517 |
| Depreciation on property, plant and equipment | 5.5 | **873,884** | 745,948 |
| Salaries, wages and other benefits | 28.1 | **511,028** | 449,839 |
| Repairs, maintenance and stores consumption | | **573,478** | 532,275 |
| Packing expenses | | **279,389** | 235,360 |
| Insurance | | **67,396** | 45,482 |
| Provision for slow moving stores and spares | 9.2 | **4,800** | 4,800 |
| Rent, rates and taxes | | **4,473** | 4,260 |
| Manufacturing cost | | **11,668,654** | 10,607,782 |
| Work-in-process | | | |
| Opening stock | | **161,370** | 302,830 |
| Closing stock | | **(114,192)** | (161,370) |
| | | **47,178** | 141,460 |
| Cost of goods manufactured | | **11,715,832** | 10,749,242 |
| Finished goods | | | |
| Opening stock | | **40,600** | 101,844 |
| Closing stock | | **(66,657)** | (40,600) |
| | | **(26,057)** | 61,244 |
| | | **11,689,775** | 10,810,486 |

**28.1** Salaries, wages and other benefits includes Rs. 40.74 million (2012: Rs. 32.67 million) in respect of staff retirement benefits.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **29. GENERAL AND ADMINISTRATIVE EXPENSES** | | | |
| Salaries and other benefits | 29.1 | **188,436** | 167,117 |
| Depreciation on property, plant and equipment | 5.5 | **20,990** | 20,358 |
| Amortization on intangible assets | 7.1 | **11,675** | 11,240 |
| Rent, rates and taxes | | **5,611** | 6,296 |
| Information technology | | **17,498** | 13,749 |
| Telephone, postage and courier | | **3,548** | 3,465 |
| Insurance | | **2,072** | 1,704 |
| Repairs and maintenance | | **5,771** | 4,628 |
| Electricity | | **7,221** | 5,020 |
| Business promotion expenses | | **1,986** | 2,692 |
| Printing, stationery and periodicals | | **6,663** | 4,161 |
| Security service charges | | **17,799** | 18,059 |
| Travelling and conveyance | | **11,980** | 11,641 |
| Fees and subscription | | **5,848** | 4,633 |
| Advertisement and publicity | | **509** | 141 |
| | | **307,607** | 274,904 |

**29.1** Salaries and other benefits include Rs. 16.50 million (2012: Rs. 12.76 million) in respect of staff retirement benefits.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **30. SELLING AND DISTRIBUTION EXPENSES** | | | |
| Selling expenses | | | |
| Salaries and other benefits | 30.1 | **32,839** | 28,349 |
| Insurance | | **404** | 316 |
| Electricity | | **652** | 587 |
| Depreciation on property, plant and equipment | 5.5 | **1,195** | 1,099 |
| Travelling and conveyance | | **1,847** | 2,044 |
| Rent, rate and taxes | | **1,431** | 1,305 |
| Export related expenses | | **-** | 387 |
| Telephone and postage/courier | | **341** | 423 |
| | | **38,709** | 34,510 |
| Distribution expenses | | | |
| Outward freight | | **74,367** | 73,546 |
| | | **113,076** | 108,056 |

**30.1** Salaries and other benefits include Rs. 2.77 million (2012: Rs. 2.69 million) in respect of staff retirement benefits.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **31. OTHER OPERATING CHARGES** | | | |
| Legal and professional charges | | **9,664** | 5,575 |
| Auditors' remuneration | | | |
| Statutory audit | | **675** | 600 |
| Half yearly review | | **125** | 125 |
| Fee for other services | | **148** | 185 |
| Reimbursement of expenses | | **153** | 88 |
| | | **1,101** | 998 |
| Workers' profit participation fund | 23.2 | **75,507** | 42,403 |
| Workers' welfare fund | | **28,692** | 16,113 |
| Loss on stock burnt by fire | 31.1 | **-** | 46,994 |
| Net exchange loss | | **784** | 6,229 |
| Others | | **1,331** | 687 |
| | | **117,079** | 118,999 |

**31.1** It represents loss due to fire incident recognized last year (refer note 14.2).

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **32. OTHER INCOME** | | | |
| Income from financial assets | | | |
| Profit on bank deposit accounts | | **188** | 94 |
| Income from non-financial assets | | | |
| Sale of scrap | | **71,957** | 75,290 |
| Insurance agency commission from associated company | | **9,637** | 7,768 |
| Gain on sale of operating fixed assets - net | | **1,552** | 2,363 |
| Others | | **7,418** | 4,416 |
| | | **90,564** | 89,837 |
| | | **90,752** | 89,931 |
| **33. FINANCE COST** | | | |
| Finance cost: | | | |
| Long-term financing | | **395,951** | 560,799 |
| Long-term financing from associated company / Sponsors | | **109,798** | 110,301 |
| Short-term borrowings | | **142,198** | 133,660 |
| Short-term loan from Sponsors | | **26,671** | 44,121 |
| Workers' profit participation fund | 23.2 | **3,587** | 2,367 |
| | | **678,205** | 851,248 |
| Net exchange loss on import credit finances | | **9,282** | 56,289 |
| Bank charges and commission | | **5,420** | 3,430 |
| | | **692,907** | 910,967 |
| **34. TAXATION** | | | |
| For the year | | | |
| Current | 34.1 | **72,182** | 130,677 |
| Deferred | | **405,581** | 144,231 |
| | | **477,763** | 274,908 |

**34.1** In view of tax loss for the year, provision for current year represents minimum tax payable under Section 113 of the Income Tax Ordinance, 2001 and tax deducted at source on insurance agency commission under Section 233 (final tax regime).

**34.2** Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

| | 2013 | 2012 |
|---|---|---|
| | ----(Percentage)---- | |
| Applicable tax rate | **35.00** | 35.00 |
| Tax effect of expenses that are not deductible in determining taxable profit (permanent differences) | **-** | (0.03) |
| Effect of final tax under presumptive tax regime | **(0.17)** | (0.16) |
| Others | **(0.85)** | - |
| | **(1.02)** | (0.19) |
| Average effective tax rate | **33.98** | 34.81 |

## 35. EARNINGS PER SHARE - BASIC AND DILUTED

There is no diluted effect on the basic earnings per share of the Company. Earnings per share for corresponding year has been restated on account of issue of bonus shares and right shares (note 17.1) as required by International Accounting Standard 33 "Earnings per share".

Effective from July 01, 2013, a convertible feature is incorporated in preference shares (refer note 18), giving rise to potential ordinary shares having impact on diluted earnings per share for periods commencing on July 01, 2013.

## 36. DEFINED BENEFIT PLAN

### 36.1 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2013 using the Projected Unit Credit Method.

### 36.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

| | 2013 | 2012 |
|---|---|---|
| Discount rate (%) | **10.5** | 13 |
| Expected rate of return on plan assets (%) | **13** | 12 |
| Expected rate of increase in salary (%) | **10.5** | 13 |
| Average expected remaining working life time of employees (years) | **7** | 7 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **36.3 Reconciliation of balance due to defined benefit plan** | | | |
| Present value of defined benefit obligation | | **239,310** | 202,040 |
| Fair value of plan assets | | **(207,971)** | (171,831) |
| | | **31,339** | 30,209 |
| Net actuarial loss to be recognized in later periods | | **(29,305)** | (27,933) |
| Closing net liability | | **2,034** | 2,276 |
| **36.4 Movement of the liability recognized in the balance sheet** | | | |
| Opening net liability | | **2,276** | 1,867 |
| Charge for the year | 36.8 | **24,403** | 22,811 |
| Contribution made during the year | | **(24,645)** | (22,402) |
| Closing net liability | 23 | **2,034** | 2,276 |
| **36.5 Fair value of plan assets at year end** | | | |
| Government securities | | **101,139** | 139,925 |
| Term Finance Certificates / Certificates of investment | | **1,962** | 3,077 |
| Mutual funds / Shares | | **30,865** | 28,989 |
| Cash at banks | | **75,769** | 252 |
| Others | | **(1,764)** | (412) |
| | | **207,971** | 171,831 |
| **36.6 Movement in present value of defined benefit obligations** | | | |
| Opening present value of defined benefit obligations | | **202,040** | 161,064 |
| Current service cost for the year | | **19,371** | 18,054 |
| Interest cost for the year | | **26,265** | 19,328 |
| Benefits due but not paid during the year | | **(1,765)** | - |
| Benefits paid during the year | | **(5,134)** | (3,011) |
| Actuarial (gain) / loss | | **(1,467)** | 6,605 |
| Closing present value of defined benefit obligations | | **239,310** | 202,040 |

| | | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **36.7** | **Movement in fair value of plan assets** | | |
| | Opening fair value of plan assets | **171,831** | 133,199 |
| | Expected return on plan assets | **22,337** | 15,984 |
| | Contributions during the year | **24,645** | 22,402 |
| | Benefits paid during the year | **(5,134)** | (3,011) |
| | Benefits due but not paid during the year | **(1,765)** | - |
| | Actuarial (loss) /gain on plan assets | **(3,943)** | 3,257 |
| | Closing fair value of plan assets | **207,971** | 171,831 |
| **36.8** | **Charge for the year** | | |
| | Current service cost | **19,371** | 18,054 |
| | Interest cost | **26,265** | 19,328 |
| | Expected return on plan assets | **(22,337)** | (15,984) |
| | Actuarial losses recognized during the year | **1,104** | 1,413 |
| | Charge for the year | **24,403** | 22,811 |

**36.9 Comparison for five years**

| | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|---|---|---|---|---|---|
| | ----(Rupees in thousands)---- | | | | |
| **a) Present value of defined benefits obligation and fair value of plan assets** | | | | | |
| Present value of defined benefits obligations at year end | **239,310** | 202,040 | 161,064 | 133,868 | 109,952 |
| Fair value of plan assets at year end | **207,971** | 171,831 | 133,199 | 100,507 | 66,813 |
| | **(31,339)** | (30,209) | (27,865) | (33,361) | (43,139) |
| **b) Experience Adjustments** | | | | | |
| Experience adjustment arising on plan liabilities (gain)/loss | **(1,467)** | 6,605 | - | 2,691 | 7,864 |
| Experience adjustment arising on plan assets (loss) / gain | **(3,943)** | 3,257 | 2,915 | 7,759 | (22,694) |
| Actual return on plan assets | **18,395** | 19,241 | 14,976 | 15,776 | - |

**36.10** The charge in respect of defined benefit plan for the year ending June 30, 2014 is estimated to be Rs. 19.634 million and charge in respect of net actuarial loss to be recognized in other comprehensive income amounting to Rs. 29.305 million.

**37. DEFINED CONTRIBUTION PLAN**

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Century Paper & Board Mills Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

**37.1** The Trustees have intimated that the size of the Fund at year end was Rs. 336.34 million.

**37.2** As intimated by the Trustees, the cost of the investments made at year end was Rs. 317 million which is equal of 94% of the total fund size. The fair value of the investments was Rs. 325.45 million at that date. The category wise break-up of investment as per Section 277 of the Companies Ordinance, 1984 is given below:

| | Rupees in thousands | Percentage |
|---|---|---|
| Government Securities | **255,200** | 76 |
| Term Finance Certificates | **2,166** | 1 |
| Listed Securities (Mutual funds) | **68,085** | 20 |
| | **325,451** | 97 |

**37.3** According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 227 of Companies Ordinance, 1984 and the rules made thereunder.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **38. CASH GENERATED FROM OPERATIONS** | | | |
| Profit before taxation | | **1,405,929** | 789,544 |
| Adjustment for non-cash charges and other items: | | | |
| Depreciation on property, plant and equipment | | **896,069** | 767,405 |
| Amortization of intangible assets | | **11,675** | 11,240 |
| Gain on sale of operating fixed assets | | **(1,552)** | (2,363) |
| Provision for gratuity | | **24,403** | 22,811 |
| Provision for slow moving / obsolete stores and spares | | **4,800** | 4,800 |
| Workers' profit participation fund | | **75,507** | 42,403 |
| Profit on bank deposit accounts | | **(188)** | (94) |
| Finance cost | 33 | **692,907** | 910,967 |
| Working capital changes | 38.1 | **(365,499)** | 598,341 |
| | | **2,744,051** | 3,145,054 |

### 38.1 Changes in working capital

| | 2013 | 2012 |
|---|---|---|
| (Increase) / decrease in current assets: | | |
| Stores and spares | **(17,780)** | 18,920 |
| Stock-in-trade | **(343,439)** | 997,173 |
| Trade debts | **(138,595)** | (310,329) |
| Loans and advances | **(20,817)** | 40,505 |
| Trade deposits and short-term prepayments | **(8,502)** | 6,023 |
| Other receivables | **132,534** | (119,702) |
| Tax refunds due from Government | **-** | 56,365 |
| | **(396,599)** | 688,955 |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | **31,100** | (90,614) |
| | **(365,499)** | 598,341 |

| | | 2013 | 2012 |
|---|---|---|---|
| | | ----(Rupees in thousands)---- | |
| **39.** | **CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)** | | |
| | Cash receipt from customers | **14,155,703** | 12,619,160 |
| | Cash paid to suppliers / service providers and employees | **(11,411,652)** | (9,474,106) |
| | Finance cost paid | **(784,195)** | (1,216,124) |
| | Taxes paid | **(212,764)** | (113,538) |
| | Gratuity paid | **(24,645)** | (22,402) |
| | Workers' profit participation fund paid | **(42,403)** | (39,457) |
| | Long-term loans and advances - net | **(1,727)** | 1,258 |
| | Long-term deposits - net | **(54)** | 50 |
| | Net cash generated from operating activities | **1,678,263** | 1,754,841 |

## 40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

**a)** The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Chief Executive | Director | Executives | Total | Chief Executive | Director | Executives | Total |
| | (Rupees in thousands) | | | | | | | |
| Managerial remuneration | 6,224 | 9,060 | 73,007 | 88,291 | 5,605 | 9,060 | 60,964 | 75,629 |
| House rent | 2,801 | - | 30,597 | 33,398 | 2,522 | - | 25,585 | 28,107 |
| Bonus | 1,777 | - | 12,965 | 14,742 | 935 | - | 9,142 | 10,077 |
| Staff retirement benefits | 2,157 | - | 17,958 | 20,115 | 1,891 | - | 15,532 | 17,423 |
| Medical | 622 | 900 | 7,301 | 8,823 | 560 | 900 | 6,096 | 7,556 |
| Utilities | - | 2,266 | 335 | 2,601 | - | 2,172 | 314 | 2,486 |
| Others | 8 | - | 588 | 596 | 8 | - | 2,011 | 2,019 |
| Total | 13,589 | 12,226 | 142,751 | 168,566 | 11,521 | 12,132 | 119,644 | 143,297 |
| Number of persons | 1 | 1 | 70 | 72 | 1 | 1 | 59 | 61 |

**b)** Aggregate amount charged in these financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 17,000 (2012: Rs. 1,500) and Rs. 25,000 (2012: Nil) respectively. The Directors' fee for attending Board and Audit Committee meetings were paid as prescribed in Articles of Association as revised during the year.

**c)** The Chief Executive and certain executives are also provided with cars for business and personal use in accordance with the Company car scheme.

**d)** Remuneration to Non-Executive Director relates to amount paid for part time involvement in the Company.

## 41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

# Notes to the Financial Statements

for the year ended June 30, 2013

| Relation with the Company | Nature of transaction | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | ----(Rupees in thousands---- | |
| Associated companies | Sales of goods and services | | **1,293,029** | 1,309,195 |
| | Purchase of goods and services | | **155,003** | 136,713 |
| | Rent and other allied charges | | **5,924** | 5,943 |
| | Insurance agency commission | | **9,637** | 7,768 |
| | Insurance claim | | **50** | 133,194 |
| | Receipt of insurance claim | | **132,500** | - |
| | Issue of bonus shares | | **86,236** | - |
| | Issue of right shares | | **135,181** | - |
| | Redemption of preference shares | | **896,744** | - |
| | Dividend paid on preference shares | | **417,444** | - |
| | Long-term financing obtained | | **1,000,000** | - |
| Other related parties | Purchase of goods and services | | **-** | 7,117 |
| Sponsors and Directors | Mark-up accrued | | **136,468** | 154,422 |
| | Issue of bonus shares | | **56** | - |
| | Issue of right shares | | **27** | - |
| | Redemption of preference shares | | **126** | - |
| | Dividend paid on preference shares | | **59** | - |
| | Repayment of long-term financing | | **1,000,000** | - |
| | Repayment of short-term financing | | **300,000** | - |
| Retirement benefit plans | Contribution to staff retirement benefit plans | | **49,809** | 44,358 |
| Key management personnel | Remuneration and other benefits | 41.2 | **168,566** | 143,297 |

**41.1 Year end balances**

| | 2013 | 2012 |
|---|---|---|
| Receivable from related parties | **119,010** | 264,673 |
| Payable to related parties | **877** | 6,088 |
| Long-term financing from Sponsors | **-** | 1,000,000 |
| Long-term financing from associated undertaking | **1,000,000** | - |
| Short-term financing from Sponsors | **-** | 300,000 |
| Mark-up payable on long-term financing from associated undertaking | **3,715** | - |

**41.2** The detail of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 40)". There are no transactions with key management personnel other than under their terms of employment.

**41.3** All transactions with related parties have been carried out on commercial terms and conditions.

## 42. CAPACITY AND PRODUCTION - TONNES

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Annual capacity on three shifts | Actual production | Annual capacity on three shifts | Actual production |
| Paper and paper board produced (Note: 42.1) | **240,000** | **185,530** | 240,000 | 175,125 |
| Paper and paper board conversion | **30,000** | **24,206** | 30,000 | 24,017 |

**42.1** The Company could not achieve the installed capacity because of forced shutdown of plant due to gas shortages during the year.

## 43. FINANCIAL ASSETS AND LIABILITIES

| | Note | 2013 | | | | |
|---|---|---|---|---|---|---|
| | | Total | Interest / mark up bearing | | | Non-interest / mark up bearing |
| | | | Maturity up to one year | Maturity after one year | Sub-total | |
| | | ----(Rupees in thousands)---- | | | | |
| **Financial assets** | | | | | | |
| **Loans and receivables at amortized cost** | | | | | | |
| Long-term loans | | 5,371 | - | - | - | 5,371 |
| Long-term deposits | | 2,829 | - | - | - | 2,829 |
| Trade debts | | 1,184,771 | - | - | - | 1,184,771 |
| Trade deposits | | 200 | - | - | - | 200 |
| Other receivables | | 2,652 | - | - | - | 2,652 |
| Cash and bank balances | | 77,161 | - | - | - | 77,161 |
| | | 1,272,984 | - | - | - | 1,272,984 |
| **Financial liabilities** | | | | | | |
| **Financial liabilities carried at amortized cost** | | | | | | |
| Long-term financing | | 4,424,773 | 274,091 | 4,150,682 | 4,424,773 | - |
| Trade and other payables | | 739,547 | - | - | - | 739,547 |
| Interest and mark-up accrued | | 49,141 | - | - | - | 49,141 |
| Short-term borrowings | | 1,413,555 | 1,413,555 | - | 1,413,555 | - |
| | | (6,627,016) | (1,687,646) | (4,150,682) | (5,838,328) | (788,688) |
| **On balance sheet gap** | | (5,354,032) | (1,687,646) | (4,150,682) | (5,838,328) | 484,296 |
| **Off balance sheet items** | | | | | | |
| Letter of credits | 26.2 (a) | 348,193 | - | - | - | 348,193 |
| Capital commitments | 26.2 (b) | 11,860 | - | - | - | 11,860 |
| | | (360,053) | - | - | - | (360,053) |
| **Total Gap** | | (5,714,085) | (1,687,646) | (4,150,682) | (5,838,328) | 124,243 |

| | Note | 2012 | | | | |
|---|---|---|---|---|---|---|
| | | Total | Interest / mark up bearing | | | Non-interest / mark up bearing |
| | | | Maturity up to one year | Maturity after one year | Sub-total | |
| | | ----(Rupees in thousands)---- | | | | |
| **Financial assets** | | | | | | |
| **Loans and receivables at amortized cost** | | | | | | |
| Long-term loans | | 4,155 | - | - | - | 4,155 |
| Long-term deposits | | 2,775 | - | - | - | 2,775 |
| Trade debts | | 1,046,176 | - | - | - | 1,046,176 |
| Trade deposits | | 355 | - | - | - | 355 |
| Other receivables | | 135,186 | - | - | - | 135,186 |
| Cash and bank balances | | 204,424 | - | - | - | 204,424 |
| | | 1,393,071 | - | - | - | 1,393,071 |
| **Financial liabilities** | | | | | | |
| **Financial liabilities carried at amortized cost** | | | | | | |
| Subordinated loan | | 1,000,000 | - | 1,000,000 | 1,000,000 | - |
| Long-term financing | | 3,810,000 | 964,545 | 2,845,455 | 3,810,000 | - |
| Trade and other payables | | 710,156 | - | - | - | 710,156 |
| Interest and mark-up accrued | | 140,429 | - | - | - | 140,429 |
| Short-term borrowings | | 1,625,123 | 1,625,123 | - | 1,625,123 | - |
| | | (7,285,708) | (2,589,668) | (3,845,455) | (6,435,123) | (850,585) |
| **On balance sheet gap** | | (5,892,637) | (2,589,668) | (3,845,455) | (6,435,123) | 542,486 |
| **Off balance sheet items** | | | | | | |
| Letter of credits | 26.2 (a) | 585,960 | - | - | - | 585,960 |
| Capital commitments | 26.2 (b) | 16,400 | - | - | - | 16,400 |
| | | (602,360) | - | - | - | (602,360) |
| **Total Gap** | | (6,494,997) | (2,589,668) | (3,845,455) | (6,435,123) | (59,874) |

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

## 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 44.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

### 44.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

**Exposure to credit risk**

The carrying amounts of the financial assets represent the maximum credit exposures. Out of total financial assets of Rs. 1,272.98 million (2012: Rs. 1,393.07 million), the financial assets which are subject to credit risk amounted to Rs. 1,267.76 million (2012: Rs. 1,396.92 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

| | 2013 | 2012 |
|---|---|---|
| | ----(Rupees in thousands---- | |
| Loans and deposits | **8,400** | 7,285 |
| Trade debts | **1,184,771** | 1,046,176 |
| Other receivables | **2,652** | 143,593 |
| Bank balances | **71,934** | 199,866 |
| | **1,267,757** | 1,396,920 |
| The aging of trade receivable at the reporting date is: | | |
| Not past due | **888,559** | 838,946 |
| Past due 1-30 days | **259,087** | 188,209 |
| Past due 30-90 days | **30,265** | 12,881 |
| Past due 90 days | **6,860** | 6,140 |
| | **1,184,771** | 1,046,176 |

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The ratings of banks ranges from A to AAA.

### Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

### Impaired assets

During the year no assets have been impaired.

## 44.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to two years | Two to five years | Over five years |
|---|---|---|---|---|---|---|---|
| | | | ----(Rupees in thousands)---- | | | | |
| **2013** | | | | | | | |
| Long-term financing | **4,424,773** | **5,762,556** | **299,981** | **394,594** | **1,194,737** | **3,224,366** | **648,878** |
| Trade and other payable | **739,547** | **739,547** | **739,547** | **-** | **-** | **-** | **-** |
| Interest and mark-up accrued | **49,141** | **49,141** | **49,141** | **-** | **-** | **-** | **-** |
| Short- term borrowings | **1,413,555** | **1,417,155** | **1,417,155** | **-** | **-** | **-** | **-** |
| | **6,627,016** | **7,968,399** | **2,505,824** | **394,594** | **1,194,737** | **3,224,366** | **648,878** |
| **2012** | | | | | | | |
| Long-term financing | 4,810,000 | 6,347,859 | 651,418 | 774,286 | 1,453,932 | 3,468,223 | - |
| Trade and other payable | 710,156 | 710,156 | 710,156 | - | - | - | - |
| Interest and mark-up accrued | 140,429 | 140,429 | 140,429 | - | - | - | - |
| Short- term borrowings | 1,625,123 | 1,640,420 | 1,640,420 | - | - | - | - |
| | 7,285,708 | 8,838,864 | 3,142,423 | 774,286 | 1,453,932 | 3,468,223 | - |

## 44.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

## a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

# Notes to the Financial Statements

for the year ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| | ----(Rupees in thousands)---- | |
| Trade payables | **-** | 104,943 |
| Foreign bills payable | **257,984** | 170,029 |
| Import credit finances | **-** | 241,664 |
| Gross balance sheet exposure | **257,984** | 516,636 |
| Outstanding letter of credits | **353,337** | 599,501 |
| Net exposure | **611,321** | 1,116,137 |

The following significant exchange rates have been applied.

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | Average rate | | Reporting date rate | |
| | ----(Rupees)---- | | | |
| **USD to PKR** | **97.24** | 90.37 | **99.50** | 94.70 |

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | Average rate | | Reporting date rate | |
| | ----(Rupees in thousands)---- | | | |
| **Effect on profit** | **38,856** | 67,831 | **39,759** | 71,081 |

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post-tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long-term loans and short-term borrowings. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | Effective rate | | Carrying amount | |
| | ----(In percent)---- | | ----(Rupees in thousands)---- | |
| **Financial liabilities** | | | | |
| Variable rate instruments | | | | |
| Islamic Sukuk Certificates | **-** | 14.51 | **-** | 1,750,000 |
| Long-term loans | **10.38 – 11.79** | 11.00 – 14.61 | **4,424,773** | 3,060,000 |
| Short-term borrowings | **10.04 – 10.69** | 11.00 – 12.70 | **1,413,555** | 1,625,123 |

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.

| | Profit and loss | |
|---|---|---|
| | 100 bps increase | 100 bps decrease |
| | ----(Rupees in thousands---- | |
| **As at June 30, 2013** | | |
| Cash flow sensitivity - Variable rate financial liabilities | **(37,949)** | **37,949** |
| **As at June 30, 2012** | | |
| Cash flow sensitivity - Variable rate financial liabilities | (41,828) | 41,828 |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## 45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

## 46. CAPITAL MANAGEMENT

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company's management believes in maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary and preference share capital and all types of reserves that are managed as capital and subordinated loan.

## 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 19, 2013 by the Board of Directors of the Company.

## 48. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.

## 49. NUMBER OF EMPLOYEES

The number of employees as at year end was 1,643 and average number of employees during the year was 1,646.

## 50. GENERAL

Amounts have been rounded off to the nearest thousands of rupees.

**Aftab Ahmad**
**Chief Executive Officer**

**Tasleemuddin Ahmed Batlay**
**Director**

# Shareholding Pattern

As at June 30, 2013

| NO. OF SHAREHOLDERS | SHAREHOLDING FROM | TO | | TOTAL SHARES HELD |
|---|---|---|---|---|
| 398 | 1 | 100 | Shares | 8,754 |
| 304 | 101 | 500 | Shares | 92,606 |
| 270 | 501 | 1,000 | Shares | 224,889 |
| 550 | 1,001 | 5,000 | Shares | 1,441,071 |
| 185 | 5,001 | 10,000 | Shares | 1,465,923 |
| 70 | 10,001 | 15,000 | Shares | 938,317 |
| 43 | 15,001 | 20,000 | Shares | 771,886 |
| 21 | 20,001 | 25,000 | Shares | 484,533 |
| 14 | 25,001 | 30,000 | Shares | 398,695 |
| 7 | 30,001 | 35,000 | Shares | 229,356 |
| 7 | 35,001 | 40,000 | Shares | 271,750 |
| 8 | 40,001 | 45,000 | Shares | 339,574 |
| 11 | 45,001 | 50,000 | Shares | 545,679 |
| 3 | 50,001 | 55,000 | Shares | 154,425 |
| 7 | 55,001 | .60,000 | Shares | 400,827 |
| 5 | 60,001 | 65,000 | Shares | 315,850 |
| 1 | 65,001 | 70,000 | Shares | 67,500 |
| 3 | 70,001 | 75,000 | Shares | 219,207 |
| 2 | 80,001 | 85,000 | Shares | 165,450 |
| 1 | 85,001 | 90,000 | Shares | 90,000 |
| 2 | 90,001 | 95,000 | Shares | 186,273 |
| 5 | 95,001 | 100,000 | Shares | 495,500 |
| 1 | 100,001 | 105,000 | Shares | 105,000 |
| 3 | 105,001 | 110,000 | Shares | 318,104 |
| 2 | 115,001 | 120,000 | Shares | 240,000 |
| 2 | 120,001 | 125,000 | Shares | 250,000 |
| 2 | 125,001 | 130,000 | Shares | 253,200 |
| 1 | 130,001 | 135,000 | Shares | 135,000 |
| 1 | 135,001 | 140,000 | Shares | 138,010 |
| 1 | 140,001 | 145,000 | Shares | 140,902 |
| 3 | 145,001 | 150,000 | Shares | 439,813 |
| 1 | 150,001 | 155,000 | Shares | 150,100 |
| 3 | 155,001 | 160,000 | Shares | 474,160 |
| 2 | 165,001 | 170,000 | Shares | 339,950 |
| 1 | 170,001 | 175,000 | Shares | 171,586 |
| 1 | 175,001 | 180,000 | Shares | 178,200 |
| 2 | 180,001 | 185,000 | Shares | 368,875 |
| 1 | 185,001 | 190,000 | Shares | 190,000 |
| 1 | 205,001 | 210,000 | Shares | 207,500 |
| 2 | 220,001 | 225,000 | Shares | 445,250 |
| 1 | 225,001 | 230,000 | Shares | 228,183 |
| 1 | 245,001 | 250,000 | Shares | 250,000 |

| NO. OF SHAREHOLDERS | SHAREHOLDING FROM | TO | | TOTAL SHARES HELD |
|---|---|---|---|---|
| 1 | 260,001 | 265,000 | Shares | 264,000 |
| 1 | 285,001 | 290,000 | Shares | 286,000 |
| 2 | 295,001 | 300,000 | Shares | 600,000 |
| 1 | 300,001 | 305,000 | Shares | 304,200 |
| 1 | 375,001 | 380,000 | Shares | 377,400 |
| 1 | 385,001 | 390,000 | Shares | 390,000 |
| 1 | 445,001 | 450,000 | Shares | 450,000 |
| 1 | 455,001 | 460,000 | Shares | 457,350 |
| 1 | 500,001 | 505,000 | Shares | 502,297 |
| 1 | 545,001 | 550,000 | Shares | 547,387 |
| 1 | 605,001 | 610,000 | Shares | 609,162 |
| 1 | 645,001 | 650,000 | Shares | 650,000 |
| 1 | 670,001 | 675,000 | Shares | 675,000 |
| 1 | 765,001 | 770,000 | Shares | 767,500 |
| 1 | 775,001 | 780,000 | Shares | 780,000 |
| 1 | 870,001 | 875,000 | Shares | 874,000 |
| 1 | 1,020,001 | 1,025,000 | Shares | 1,022,910 |
| 1 | 1,135,001 | 1,140,000 | Shares | 1,140,000 |
| 1 | 1,205,001 | 1,210,000 | Shares | 1,207,500 |
| 1 | 1,400,001 | 1,405,000 | Shares | 1,402,500 |
| 1 | 1,610,001 | 1,615,000 | Shares | 1,611,640 |
| 1 | 2,515,001 | 2,520,000 | Shares | 2,515,320 |
| 1 | 2,825,001 | 2,830,000 | Shares | 2,829,163 |
| 1 | 8,325,001 | 8,330,000 | Shares | 8,328,798 |
| 1 | 8,660,001 | 8,665,000 | Shares | 8,661,485 |
| 1 | 8,925,001 | 8,930,000 | Shares | 8,928,167 |
| 1 | 22,010,001 | 22,015,000 | Shares | 22,010,526 |
| 1 | 23,500,001 | 23,505,000 | Shares | 23,500,935 |
| **1,978** | | **TOTAL** | | **106,025,138** |

Incorporation No. K-54/8182 of 1984
CUIN Registration No. 0012021

# Categories of Shareholders

As at June 30, 2013

| SHAREHOLDERS' CATEGORY | SHARES HELD | PERCENTAGE |
|---|---|---|
| Directors, CEO, and their spouses and minor children | 54,130 | 0.05 |
| Associated Companies / undertakings and related parties | 65,283,544 | 61.57 |
| NIT and ICP | 171,946 | 0.16 |
| Public Sector Companies and Corporations | 2,829,283 | 2.67 |
| Banks, Development Financial Institutions and Non-Banking Financial Institutions | 146,860 | 0.14 |
| Modarabas and Mutual Funds | 8,364,079 | 7.89 |
| Insurance Companies | 757,350 | 0.71 |
| General Public | 21,039,348 | 19.84 |
| Others | 7,378,598 | 6.97 |
| **TOTAL** | **106,025,138** | **100.00** |

| | | |
|---|---|---|
| Shareholders holding 10% or more voting interest | 45,511,461 | 42.93 |

# Shareholding information

As at June 30, 2013

| CATEOGRY OF SHAREHOLDERS | | SHARES HELD |
|---|---|---|
| **ASSOCIATED COMPANIES/UNDERTAKINGS AND RELATED PARTIES** | | |
| SIZA Services (Private) Limited | | 23,500,935 |
| SIZA (Private) Limited | | 22,010,526 |
| Premier Fashions (Private) Limited | | 8,928,167 |
| SIZA Commodities (Private) Limited | | 8,661,485 |
| Accuray Surgicals Limited | | 1,611,640 |
| Century Insurance Company Limited | | 547,387 |
| Gulbanoo Lakhani | | 264 |
| Sultan Ali Lakhani | | 1,537 |
| Shaista Sultan Ali Lakhani | | 264 |
| Babar Ali Lakhani | | 16,436 |
| Bilal Ali Lakhani | | 132 |
| Danish Ali Lakhani | | 2,347 |
| Natasha Lakhani | | 132 |
| Anushka Zulfiqar Lakhani | | 1,212 |
| Anika Amin Lakhani | | 1,080 |
| **MUTUAL FUNDS** | | |
| First Capital Mutual Fund | | 396 |
| MCBFSL-Trustee Pak Oman Advantage Asset Allocation Fund | | 34,000 |
| Golden Arrow Selected Stocks Fund Limited | | 885 |
| National Bank of Pakistan, Trustee Department NI(U)T Fund | | 8,328,798 |
| **DIRECTORS,CEO,THEIR SPOUSES AND MINOR CHILDREN** | | |
| Iqbal Ali Lakhani | Chairman | 1,621 |
| Zulfiqar Ali Lakhani | Director | 825 |
| Amin Mohammed Lakhani | Director | 1,397 |
| Tasleemuddin A. Batlay | Director | 2,972 |
| Shahid Ahmed Khan | Director | 1,500 |
| Kemal Shoaib | Director | 625 |
| Muhammad Imran Rafiq | Nominee Director (NIT) | NIL |
| Aftab Ahmad | Chief Executive Officer | 4,103 |
| Ronak Iqbal Lakhani W/o Iqbal Ali Lakhani | | 165 |
| Fatima Lakhani W/o Zulfiqar Ali Lakhani | | 165 |
| Saira Amin Lakhani W/o Amin Mohammed Lakhani | | 165 |
| Roohi Aftab W/o Aftab Ahmad | | 40,592 |
| **EXECUTIVE** | | 18 |
| **PUBLIC SECTOR COMPANIES AND CORPORATIONS** | | 2,829,283 |
| **BANKS,DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABA AND PENSION FUNDS** | | 1,513,372 |
| **SHAREHOLDERS HOLDING 5% OR MORE VOTING RIGHTS** | | |
| SIZA Services (Private) Limited | | 23,500,935 |
| SIZA (Private) Limited | | 22,010,526 |
| Premier Fashions (Private) Limited | | 8,928,167 |
| SIZA Commodities (Private) Limited | | 8,661,485 |
| National Bank of Pakistan, Trustee Department NI(U)T Fund | | 8,328,798 |

# FORM OF PROXY

I/We______________________________________________________________of ____________

_____________________________________________________________a member of

CENTURY PAPER & BOARD MILLS LIMITED_________________________________________

hereby appoint____________________________________________________of_____________________

_____________________________________________________________________ or failing

him/her______________________________________________________of_____________________

______________________________________________________________________________

to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 25th day of September 2013 and at any adjournment thereof.

Signed this _______day of _______________2013.

| Folio No. | CDC Participant ID No. | CDC Account/ Sub-Account No. | No. of shares held |
|---|---|---|---|
| | | | |

Signature over Revenue Stamp

**Witness 1**

Signature ___________________________
Name ___________________________
CNIC No. ___________________________
Address ___________________________
___________________________

**Witness 2**

Signature ___________________________
Name ___________________________
CNIC No. ___________________________
Address ___________________________
___________________________

Notes:

1. The Proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number along with attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.

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AFFIX
CORRECT
POSTAGE

TO,
THE COMPANY SECRETARY
CENTURY PAPER & BOARD MILLS LIMITED
LAKSON SQUARE, BUILDING NO. 2,
SARWAR SHAHEED ROAD, KARACHI-74200.

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Century Paper & Board Mills Limited

**Head Office, Registered Office,**
**Corporate/Shares Office & Regional Sale Office (South)**

Lakson Square Building No.2, Sarwar Shaheed Road, Karachi - 74200, Pakistan.
Phone: (021) 35698000 Fax: (021) 35681163, 35683410

**Regional Sales Office (North)**
14-Ali Block, New Garden Town, Lahore - 54600, Pakistan.
Phone: (042) 35886801-4 Fax: (042) 35830338

**Mills**
62 KM, Lahore-Multan Highway, N-5, District Kasur, Pakistan.
Phone: (049) 4511464-5, 4510061-2 Fax: (049) 4510063

Email: info@centurypaper.com.pk
Website: www.centurypaper.com.pk

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